MANTA

Manta Holdings Company Limited
敏達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 936

2011
ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr Chung Tze Hien *(Chairman)*
Mr Quek Chang Yeow
Mr Lai Siu Shing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Cheung Chi Wai Vidy
Mr Lau Wing Yuen
Mr Louie Chun Kit

COMPANY SECRETARY

Ms Lo Hang I

AUTHORISED REPRESENTATIVES

Mr Lai Siu Shing
Ms Lo Hang I

PRINCIPAL BANKERS

Hong Kong
DBS Bank (Hong Kong) Limited
Singapore
United Overseas Bank Limited
DBS Bank Limited

AUDITOR

BDO Limited

PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Limited
Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

AUDIT COMMITTEE

Mr Louie Chun Kit *(Chairman)*
Mr Cheung Chi Wai Vidy
Mr Lau Wing Yuen

REMUNERATION COMMITTEE

Mr Chung Tze Hien *(Chairman)*
Mr Louie Chun Kit
Mr Cheung Chi Wai Vidy
Mr Lau Wing Yuen

NOMINATION COMMITTEE

Mr Quek Chang Yeow *(Chairman)*
Mr Louie Chun Kit
Mr Cheung Chi Wai Vidy
Mr Lau Wing Yuen

COMPLIANCE ADVISER

Altus Capital Limited

REGISTERED OFFICE

Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman
KY1-1108, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit H, 9/F, Valiant Industrial Centre, 2-12 Au Pui Wan Street,
Fotan, Shatin, New Territories, Hong Kong

WEBSITE

www.mantagroup.com.hk

STOCK CODE

936

Chairman's Statement

Dear Shareholders,

I am pleased to present the annual results of Manta Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December, 2011.

The effects of the global financial crisis remained in the year 2011. The United States of America and Europe made many attempts to revive their respective economies through expansive monetary policies. The economies in Asia, particularly in Singapore and Hong Kong on the other hand have remained robust with active construction activities which in turn saw the increased demand for the Group's crane trading and rental business in the year under review.

In 2011, the Group recorded sales revenue of approximately HK$154.1 million, an increase of 10.5% from that of HK$139.4 million recorded in the previous year. The financial results for the year, however, changed from net profit of HK$20.8 million for 2010 to net loss of HK$1.2 million for the current year. The performance turnaround was due to several reasons, all of which were operational in nature. In 2010, the Group sold the Singapore office and storage premise which yielded a gain in disposal of approximately HK$23.8 million, therefore accounting for the better performance in 2010. There has been a once-off relocation and related expenses incurred by the Singapore operation when they moved to a larger premise in 2011. The crane fleet, both in Singapore and Hong Kong were expanded in 2011, substantially utilizing the funds raised from the initial public offering. A consequence of the new capital investments is an increased depreciation and amortization charges in 2011. The relocation to a larger storage and office premise in Singapore and the purchase of new cranes would secure a bigger market share and increased competitiveness in the crane rental market for the Group.

To expand the Group's income base for sales and rental of construction and infrastructure equipment, new distributorship for non-cranes equipment are being negotiated. The Company will also look for investment opportunities outside its existing business of equipment sale and rental to further diversify its revenue and income potential.

The Company will continue to refine its operations in both Hong Kong and Singapore, strengthening market reputation for service excellence so as to maintain the long term competitiveness of the Company. The Company will also allocate more resources in other Southeast Asia regions, such as Vietnam. The Company is negotiating with the minority shareholders to buy their stake in Manta Vietnam and making effort to obtain more dealerships in Vietnam to expand business there.

The Company's major shareholder, Mulpha International Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, has on the 14th February 2012 announced the disposal of its 75% controlling stake in the Company to Eagle Legend International Holdings Ltd which is completed on 23rd February 2012. The Board welcomes the new shareholder who expressed their intention to stay in the equipment rental and sales business and assisting the Company to explore other business/investment opportunities for enhancing its future development and strengthening its revenue base.

The performance of the Company is contributed by the dedicated efforts of our management and staff and from the strong support from all sectors of the business community. On behalf of the Board of Directors, I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

Chung Tze Hien
Chairman

Hong Kong
28 February 2012

Management Discussion and Analysis

OPERATIONAL AND FINANCIAL REVIEW

OVERALL PERFORMANCE

For the year ended 31 December 2011, the Group generated revenue of approximately HK$154.1 million (2010: approximately HK$139.4 million) with a loss for the year of approximately HK$1.2 million (2010: profit of approximately HK$20.8 million).

BUSINESS REVIEW

For the year ended 31 December 2011, the Group recorded a revenue of approximately HK$154.1 million against HK$139.4 million achieved in the previous year.

The increase in revenue for the year under review was mainly attributable to a higher level of sale of machinery which recorded a revenue of approximately HK$36.0 million, representing an increase of approximately 22.9% against HK$29.3 million achieved in 2010. In 2011, the economy of Hong Kong, Singapore and other Southeast Asian countries was relatively better than the traditional developed countries in America and Europe. Many construction projects were launched in these Asian regions, which led to the increase in demand of cranes and relevant machineries.

Meanwhile, our rental business recorded revenue of approximately HK$95.4 million for the year ended 31 December 2011, representing an increase of approximately 4.8% as compared to that of approximately HK$91.0 million for 2010. Revenue from rental operations was also higher thanks to the increase in construction activities in Hong Kong and Singapore during 2011.

The sales of spare parts and service income recorded revenue of approximately HK$22.7 million for the year, representing an increase of approximately 18.8% as compared to that of approximately HK$19.1 million for the same period in 2010. The demand for service and spare parts increased in line with the growing demand in the Group's machinery.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31 December 2011.

FINANCIAL REVIEW

Result for the Year

As detailed in the Section of BUSINESS REVIEW above, the Group's overall revenue increased in the year under review as compared to last year. The result for the year, however, changed from net profit of HK$20.8 million for 2010 to net loss of HK$1.2 million for 2011. In addition to disposal of old premise, yielding a one-off gain of approximately HK$23.8 million in last year, expenses of approximately HK$1.2 million for relocation of the storage facility incurred in the current year also led to the change of result for the year.

For expanding the operating scale, the Group acquired 29 cranes in the current year and the number of its employees increased from 90 in 2010 to 99 in 2011. Accordingly, the depreciation charges and staff costs for the current year increased by approximately HK$8.3 million and HK$5.7million respectively, as compared to the amounts for the previous year. Together with the increase in interest charges of approximately HK$0.8 million for acquisition properties and cranes, the increases in the depreciation charges and staff costs also resulted in the change of the Group's performance for the year under review.

Liquidity and Financial Resources

The Group held cash and cash equivalents of approximately HK$25.2 million (2010: approximately HK$66.0 million). Lower cash level is principally due to acquisition of property, plant and equipment of HK$40.3 million by the Group's internal funds for expansion its business in Singapore. The total equity of the Group maintained stable at approximately HK$193.7 million as at 2011 financial year end (2010: approximately HK$193.9 million).

Gearing

The Group monitors capital using a gearing ratio, which is total debts (sum of bank borrowings and finance lease payables) divided by total equity. The gearing ratio was 0.7 as at 31 December 2011 (2010: 0.3). The increase in gearing ratio is resulted from the increase in bank borrowings of approximately HK$38.1 million and finance lease payables of HK$45.9 million principally for acquisition of property, plant and equipment for developing the Group's business in Singapore.

Pledge of Assets

The Group's banking facilities were secured by the assets of the Group, including pledged bank deposits, land and building, building at cost, plant and machinery, with aggregate carrying amounts of HK$66.2 million (2010: HK$15.3 million).

Exchange Rate Exposure

As at 31 December 2011, more than half the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from our rental operations in Singapore is primarily dominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or US dollar. For foreign currency purchases, hedging arrangements to hedge against foreign exchange fluctuations may be entered. However, no hedging arrangement was undertaken for revenue generated from our Singapore and Vietnam operations.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

Contingent Liabilities

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities.

Commitments

The Group had capital commitments, which are contracted but not provided for, in respect of purchase of property, plant and equipment amounting to HK$4.0 million as at 31 December 2011 (2010: HK$43.3 million).

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2011, the Group had a total of 99 (2010: 90) employees in Hong Kong, Singapore and Vietnam. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

Use of proceeds

The Company's shares have been listed on the Stock Exchange since 19 July 2010. Proceeds from the issuance of new shares pursuant to the Company's initial public offering amounted to approximately HK$38.1 million (net of related issuing expenses). Such net proceeds have been utilized in the following manner:

	Amount raised	Amount used as at 31 December 2011
	(HK$ million)	(HK$ million)
Purchase crane for rental purpose	20.0	19.0
Purchase crane for trading purpose	11.0	11.0
General working capital	3.8	3.8
Expansion and improvement of storage facilities	3.3	3.3
	38.1	37.1

FUTURE PROSPECTS

Due to the bulk launching of projects of Housing & Development Board of Singapore Government and the New Home Ownership Scheme proposed in the Policy Address 2011-12 made by the Chief Executive of Hong Kong, the Group anticipates that the construction industry in Singapore and Hong Kong, in which the Group's business depends, will be blooming next year. To take the advantage of the favourable business environment mentioned above, the Board of Directors will continue to seek potential investment opportunities, to diversify our business portfolios (including other construction equipment), and to improve business performance of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chung Tze Hien, aged 61, was appointed as a Director on 11 March 2010 and is the chairman of the Board. Mr. Chung currently is the chief executive officer and an executive director of Mulpha International Bhd (the "Mulpha"). Mr. Chung is also the non-executive chairman of Mulpha Land Berhad, a subsidiary of Mulpha. Mulpha and Mulpha Land Berhad are listed on the Bursa Malaysia Securities Berhad. Mr. Chung was also a non-executive director of Greenfield Chemical Holdings Limited (Stock Code: 582) from December 2003 to November 2009.

Mr. Chung, as the chairman of the Board, is involved in the setting of business direction and policies of our Group. Prior to joining Mulpha in 2001, Mr. Chung was an executive director of Sun Hung Kai & Co Ltd from 1996 to 2000. He also worked for and held senior managerial positions in several companies in Singapore and Malaysia involving a variety of industries and businesses. Mr. Chung holds a bachelor degree in commerce from the University of Otago, New Zealand and later proceeded to qualify as an Associate Member of the Institute of Chartered Accountants of New Zealand in 1976 and the Institute of Chartered Secretaries and Administrators of United Kingdom in 1977.

Mr. Chung has entered into a service contract with the Company for a term of three years commencing from 19 July 2010.

Mr. Quek Chang Yeow, aged 48, was appointed as a Director on 11 March 2010 and is our Chief Executive Officer. Mr. Quek joined Manta Singapore since 1999 as operations manager. Mr. Quek was promoted to the general manager of the Group in January 2003 and was subsequently appointed to be the chief operation officer of Manta Singapore in April 2006. In January 2010, Mr. Quek was appointed to be the chief executive officer of Manta Singapore and Manta Hong Kong. He is mainly responsible for overall business strategy, development and management of our operations. He also oversees our operations in Hong Kong, Macau, Singapore and Vietnam. Mr. Quek has more than 28 years of experience in the construction equipment business. Prior to joining Manta Singapore in 1999, Mr. Quek was a service manager of a construction equipment provider in Singapore.

Mr. Quek has entered into a service contract with the Company for a term of three years commencing from 19 July 2010.

Mr. Lai Siu Shing, aged 62, was appointed as a Director on 11 March 2010 and is our General Manager. Mr. Lai joined Manta Hong Kong as a sales representative in 1976. Mr. Lai has worked on a number of positions in Manta Hong Kong and was promoted to the general manager of Manta Hong Kong in 2006. Mr. Lai is mainly responsible business development, marketing and management of Manta Hong Kong and has a primary focus on our Hong Kong and Macau operations. Mr. Lai has more than 38 years of experience in construction equipment business. Prior to joining Manta Hong Kong, Mr. Lai has worked with a construction equipment provider in Hong Kong from 1973 to 1976. Mr. Lai graduated from the Department of Business Administration in Chu Hai College, Hong Kong with a major in commercial science in 1973.

Mr. Lai has entered into a service contract with the Company for a term of one year commencing from 19 July 2010, which was extended to be ending on 18 July 2012, during this financial year. The service contract can be terminated by either party by giving not less than three months' notice in writing to the other party.

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. Cheung Chi Wai Vidy, aged 52, was appointed as an independent non-executive Director on 25 June 2010. Mr. Cheung is currently a consultant to Coolpoint Energy Limited (Stock Code: 8032) since December 2009, providing consultancy services and assistance in contract negotiation with strategic partners and customers in Hong Kong and the PRC. Prior to joining Coolpoint Energy Limited, Mr. Cheung worked in the Department of Justice of the Government of Hong Kong as a Senior Government Counsel for over 20 years. Mr. Cheung holds a bachelor degree of laws from Ealing College of Higher Education (currently known as Thames Valley University) in 1982. Mr. Cheung was admitted as a Barrister of England in 1984 and as a Barrister of Hong Kong in 1986.

Mr. Lau Wing Yuen, aged 47, was appointed as an independent non-executive Director on 25 June 2010. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau worked for an international accounting firm and in several companies in Hong Kong as financial controller and chief financial officer. Currently, he works in a Hong Kong listed company. Mr. Lau has more than 20 years of experience in auditing, secretarial, accounting and corporate finance. Mr. Lau holds a bachelor degree in social sciences from the University of Hong Kong.

Mr. Louie Chun Kit, aged 47, was appointed as an independent non-executive Director on 25 June 2010. Mr. Louie is currently a practising accountant. He is also a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Louie is currently the chief accountant of Yield Limited, a Hong Kong private company engaged in property development in the PRC. Prior to his present position in November 2006, he spent over 10 years as the chief accountant in a licensed corporation under the SFO engaging in asset management and corporate finance, and around five years in the audit practice with an international accounting firm in Hong Kong. Mr. Louie holds a diploma in accounting from Lingnan College in 1988 and a master degree in business systems from Monash University of Australia in 2005. Mr. Louie is also an independent non-executive director of SHK Hong Kong Industries Limited (stock code: 666).

SENIOR MANAGEMENT

Hong Kong

Ms. Lo Hang I, aged 43 is the group financial controller and Company Secretary of Manta Hong Kong. Ms. Lo joined Manta Hong Kong in May 2004 and is currently responsible for group financial reporting, financial planning, company secretarial and administrative matters of Manta Hong Kong and its subsidiaries. Ms. Lo is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining Manta Hong Kong, Ms. Lo spent almost 10 years as an accountant in a United State listed company which primarily engaged in automation building system. Before that, she was a senior accounting officer in an engineering firm in Hong Kong from March 2003 to May 2004. Ms. Lo graduated from the Open University of Hong Kong with a bachelor degree in business administration in 1997.

Mr. Lin Chi Fai, aged 47, is the deputy general manager of Manta Rental Hong Kong. Mr. Lin joined Manta Hong Kong as a shipping clerk in June 1989 and was promoted to senior manager position in October 2007. Mr. Lin is currently responsible for tower crane maintenance and services, logistics and warehousing matters of Manta Hong Kong's operation in Hong Kong and Macau.

Mr. Ku Koon Wah ("Mr. KW Ku"), aged 59, is the district manager of machine sales and rental of Manta Hong Kong. Mr. KW Ku joined Manta Hong Kong in 1977 as a parts controller and was promoted to manager position in 1985. Mr. KW Ku is currently responsible for the Group's tower crane trading and rental operations in Hong Kong and Macau with a main focus on sales and marketing. Mr. KW Ku graduated from the Hong Kong Polytechnic with a higher certificate in business studies in 1981.

Singapore

Ms. Ngiam Lee Jong (Florence), aged 40, is the General Manager - Finance of the Manta Singapore. Ms. Ngiam joined Manta Singapore since December 2002 and is responsible for matters relating to human resources, financial planning, budgeting and management reporting of Manta Singapore as well as overseeing daily finance and office administration for our operations in Singapore. Prior to joining Manta Singapore, she was an Accountant (ASEAN) for a MNC software provider company in Singapore from 2000 to 2002. Ms. Ngiam is a member of Institute of Certified Public Accountants of Singapore and a member of Australian Society of Certified Practising Accountants. Ms. Ngiam graduated from Victoria University of Technology in Australia with a master degree in business majoring in professional accounting in 1998.

Mr. Teo Yang Khoon, aged 56, is the General Manager - Sales of Manta Singapore. He joined in August 2004 as marketing manager. Mr. Teo is responsible for sales and marketing of products for our Singapore operations. Since 2001, Mr. Teo worked as a free lance broker for tower crane until he joined Manta Singapore in 2004. Mr. Teo graduated from Singapore Vocational Institute and obtained the trade certificate in Motor Vehicle Mechanic in 1972. In 1973, Mr. Teo completed the examination at the Ministry of Education on the City and Guilds of London and obtained the Motor Vehicle Mechanic Certificate. In 1985, Mr. Teo took a private course in sales and marketing and obtained a certificate in sales and marketing from the Institute of Professional Managers in United Kingdom in 1985.

Mr. Lee Seng Leong, aged 50, is the General Manager - Operations of Manta Singapore. He joined in October 1999 as a technician and was promoted to sales and service manager position in 2006. Mr. Lee currently leads the crane servicing team in Manta Singapore and is responsible for overseeing our tower crane installation, maintenance and dismantling services operation in Singapore. Prior to joining Manta Singapore, Mr. Lee has worked in a Singapore private company engaging in crane servicing business as a service technician and has worked as a technician in the army force in Singapore. Mr. Lee studied in the Vocational and Industrial Training Board and obtained the National Trade Certificate III in 1980.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2011 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 21 to 80.

The Board does not recommend the payment of a final dividend for the Year (2010: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 30 to the financial statements and the consolidated statement of changes in equity on pages 25 to 26.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company did not have a reserve available for distribution. Under the Companies Law, (2010 Revision) of the Cayman Islands, the share premium account of the Company of approximately HK$70.0 million as at 31 December 2011, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the percentage of sales attributable to the Group's five largest customers was less than 34.0% with the largest customer accounted for 8.3%.

The percentage of purchase attributable to the Group's five largest supplier was 48.9% with the largest supplier accounted for 35.7%.

Neither the Directors, any of their associates nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. Chung Tze Hien *(Chairman)*
Mr. Quek Chang Yeow
Mr. Lai Siu Shing

Independent Non-executive Directors

Mr. Louie Chun Kit
Mr. Cheung Chi Wai Vidy
Mr. Lau Wing Yuen

In accordance with article 108 of the Company's articles of association, Mr. Lai Siu Shing and Mr. Lau Wing Yuen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 7 to 8 of this report.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Chung Tze Hien and Mr. Quek Chang Yeow has entered into a service contract with the Company for a term of three years commencing from 19 July 2010, which continues thereafter until terminated by either party by giving not less than three months' notice in writing to the other party.

Mr. Lai Siu Shing has entered into a service contract with the Company for a term of one year commencing from 19 July 2010, which was extended to be ending on 18 July 2012, during the Year. The sercvice contract can be terminated by either party by giving not less than three month's notice in writing to the other party.

As at the date of this report, each of the independent non-executive Directors has entered into a letter of appointment with the Company with a term of three years commencing from 19 July 2010, which can be terminated by either party by giving not less than one month notice in writing to the other party.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the Year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

CONNECTED TRANSACTIONS

There was no transaction which should be disclosed in this report as a connected transaction in accordance with the requirements of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors of the Company or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Nature of interest	Number of ordinary shares of the Company held Direct interest (Note 1)	Percentage of shareholding
Jumbo Hill Group Limited	Beneficial interest	150,000,000(L)	75.00%
Mulpha Strategic Limited (note 2)	Interest in a controlled corporation	150,000,000(L)	75.00%
Mulpha Trading Sdn Bhd (note 3)	Interest in a controlled corporation	150,000,000(L)	75.00%
Mulpha International Bhd (note 4)	Interest in a controlled corporation	150,000,000(L)	75.00%
Madam Yong Pit Chin (note 4)	Interest in a controlled corporation	150,000,000(L)	75.00%
Sparkling Summer Limited	Beneficial interest	10,090,000(L)	5.05%
Classic Fortune Limited (note 5)	Interest in a controlled corporation	10,090,000(L)	5.05%
COL Capital Limited (note 6)	Interest in a controlled corporation	18,000,000(L)	9.00%
Vigor Online Offshore Limited (note 7)	Interest in a controlled corporation	18,000,000(L)	9.00%
China Spirit Limited (note 8)	Interest in a controlled corporation	18,000,000(L)	9.00%
Madam Chong Sok Un (note 9)	Interest in a controlled corporation	18,000,000(L)	9.00%

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) Mulpha Strategic Limited is the holding company of Jumbo Hill Group Limited holding 100% interest in it.

(3) Mulpha Trading Sdn Bhd is the holding company of Mulpha Strategic Limited holding 100% interest in it.

(4) Mulpha International Bhd is the holding company of Mulpha Trading Sdn Bhd holding 100% interest in it. Mulpha International Bhd is listed on the Main Market of Bursa Malaysia Securities Berhad. Madam Yong Pit Chin is, directly and indirectly, interested in approximately 34.80% of the issued share capital of Mulpha International Bhd.

(5) Classic Fortune Limited is the holding company of Sparkling Summer Limited holding 100% interest in it.

(6) COL Capital Limited is the holding company of Classic Fortune Limited holding 100% interest in it.

(7) Vigor Online Offshore Limited is the holding company of COL Capital Limited holding 70.20% interest in it.

(8) China Spirit Limited is the holding company of Vigor Online Offshore Limited holding 100% interest in it.

(9) Madam Chong Sok Un is interested in 100% of issued share capital of China Spirit Limited.

Save as disclosed above, as at 31 December 2011, none of the Directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register of interests required to be maintained pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code in the Listing Rules.

CHANGE OF CONTROLLING SHAREHOLDER

The Company was informed by Mulpha International BHD, that on 14 February 2012, it has through its subsidiary entered into a sale and purchase agreement as the vendor with Eagle Legend International Holdings Limited ("Eagle Legend") as the purchaser and Mulpha International Bhd ("Mulpha") as the guarantor, pursuant to which Eagle Legend has conditionally agreed to purchase and Jumbo Hill conditionally agreed to sell 150,000,000 shares of the Company free from any encumbrances for a total consideration of HK$285,000,000, equivalent to HK$1.90 per share, subject to the conditions (the "Transaction"), details of which are set out in the announcement jointly issued by Eagle Legend and the Company on 20 February 2012. Accordingly, the controlling shareholder of the Company will be changed to Eagle Legend, which is a wholly owned subsidiary of Constant Success Holdings Limited, when the Transaction is to be completed.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year, no Directors or their respective associates (as defined in the Listing Rules) are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

AUDITOR

The financial statements of the Company for the years ended 31 December 2010 and 2011 were audited by BDO Limited. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Chung Tze Hien
Chairman

Hong Kong, 22 February 2012

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but also will lay a good foundation for the long-term development of the Company. Therefore the Company will strive to develop and implement effective corporate governance practices and procedures. The Company and the Board have adopted the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). During the year ended 31 December 2011 (the "Year"), the Company has complied with the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions of Directors of Listing Companies (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the Year.

THE BOARD OF DIRECTORS

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

The Board comprises six Directors, including three Executive Directors, namely Mr. Chung Tze Hien, Mr. Quek Chang Yeow and Mr. Lai Siu Shing, and three Independent Non-executive Directors, namely Mr. Louie Chun Kit, Mr. Cheung Chi Wai Vidy and Mr. Lau Wing Yuen. There is no relationship, including financial, business, family or other material/relevant relationships among Board members.

During the Year, there were four Board meetings held. The attendance of each Director is contained in the following table:

	Number of attendance/Total
Mr. Chung Tze Hien	4/4
Mr. Quek Chang Yeow	4/4
Mr. Lai Siu Shing	4/4
Mr. Louie Chun Kit	4/4
Mr. Cheung Chi Wai Vidy	4/4
Mr. Lau Wing Yuen	4/4

INDEPENDENT NON-EXECUTIVE DIRECTORS

All of the Independent Non-executive Directors of the Company have a term of three years commencing from 19 July 2010, which can be terminated by either party giving not less than one month notice in writing to the other party.

Each of the Independent Non-executive Directors has confirmed by written confirmation that he has complied with the independence requirements set out in Rule 3.13 of the Listing Rules. The Board considers that all Independent Non-executive Directors are independent under these independence requirements.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance with Appendix 14 to the Listing Rules. The Remuneration Committee is chaired by Mr. Chung Tze Hien and other members are , Mr. Louie Chun Kit, Mr. Cheung Chi Wai Vidy and Mr. Lau Wing Yuen.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's structure for remuneration of Directors and senior management and on the establishment of formal and transparent procedures for developing such remuneration policy. In determining the remuneration of the Directors, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, performance and contributions of the Directors and the change in market conditions. Details of directors' remuneration for each Director and set out in note 15 to the financial statements.

During the Year, one meeting for the Remuneration Committee was held with attendance of all committee members.

NOMINATION COMMITTEE

The Company established the Nomination Committee in compliance with Appendix 14 to the Listing Rules. The Nomination Committee is chaired by Mr. Quek Chang Yeow and other members are Mr. Louie Chun Kit, Mr. Cheung Chi Wai Vidy and Mr. Lau Wing Yuen.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, and to assess the independence of the Independent Non-executive Directors.

On 2 February 2012, the Nomination Committee recommended the retirement and re-election of Mr. Lai Siu Shing and Mr. Lau Wing Yuen at the forthcoming Annual General Meeting.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, with Mr. Louie Chun Kit as the chairman and other two members are Mr. Cheung Chi Wai Vidy and Mr. Lau Wing Yuen. Mr. Louie Chun Kit, the chairman of the Company's Audit Committee, has considerable experience in accounting and financial management, which is in line with the requirement of Rule 3.10(2) of the Listing Rules.

The Audit Committee reports to the Board and is authorised by the Board to assess matters relating to the accounts of financial statements. The Audit Committee oversees all financial reporting procedures and the effectiveness of the Company's internal controls, to advise the Board on the appointment and re-appointment of external auditor, and to review and oversee the independence and objectivity of external auditor.

The Audit Committee is responsible for recommending to the Board on matters related to the appointment, re-appointment and removal of the external auditor, which is subject to the approval from the Board and the shareholder at the general meetings of the Company.

The Audit Committee has reviewed with the management the annual results of the Group for the year ended 31 December 2011.

The Audit Committee held two meetings during the Year. The attendance of each member of the Audit Committee is contained in the following table:

Number of attendance/Total	
Mr. Louie Chun Kit	2/2
Mr. Cheung Chi Wai Vidy	2/2
Mr. Lau Wing Yuen	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2011, the total fee paid/payable to the external auditors of the Company in respect of audit and non-audit services is set as below:

	For the year ended 31 December 2011 HK$'000
Annual audit services	583
Non-audit services	240

DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company, BDO Limited, about their responsibilities on the financial statements of the Group is set out in the independent auditor's report on page 19 to 20.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of the shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

During the Year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. External consultants were hired to assist the Board to perform high-level review of internal control systems for selected business operations and processes. Such review covered financial, compliance and operational controls as well as risk management mechanisms.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011. The auditor of the Company acknowledges its reporting responsibilities in the independent auditor's report on the financial statements for the year ended 31 December 2011. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the Code but about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the shareholders to promote and improve the transparency are also welcome.

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TO THE SHAREHOLDERS OF MANTA HOLDINGS COMPANY LIMITED 敏達控股有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Manta Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 21 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss 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.

BDO Limited
Certified Public Accountants
Joanne Y.M. Hung
Practising Certificate no. P05419

Hong Kong, 22 February 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
Revenue	8	154,139	139,376
Cost of sales and services		(79,230)	(71,266)
Gross profit		74,909	68,110
Other income	9	5,033	27,896
Selling and distribution expenses		(2,316)	(3,626)
Administrative expenses		(41,899)	(43,291)
Other operating expenses		(33,230)	(24,961)
Finance costs	10	(6,024)	(5,188)
(Loss)/profit before income tax	11	(3,527)	18,940
Income tax credit	12	2,351	1,907
(Loss)/profit for the year		(1,176)	20,847
Other comprehensive (loss)/income			
– Exchange differences on translating foreign operations		(771)	6,789
– Gain on revaluation of property held for own use, net of tax	16	1,775	1,038
Other comprehensive income for the year		1,004	7,827
Total comprehensive (loss)/income for the year		(172)	28,674
(Loss)/profit for the year attributable to:			
– Owners of the Company		(1,071)	20,971
– Non-controlling interests		(105)	(124)
		(1,176)	20,847
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		(67)	28,798
– Non-controlling interests		(105)	(124)
		(172)	28,674
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the year			
– Basic (HK cents)	14	(1)	13

Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**290,100**	177,007
Available-for-sale investment	17	**580**	580
Deposits paid	21	**—**	4,814
		290,680	182,401
Current assets			
Inventories and consumables	19	**35,085**	31,090
Trade receivables	20	**45,506**	35,286
Prepayments, deposits and other receivables	21	**10,312**	12,609
Pledged bank deposits	22	**3,519**	3,697
Cash and cash equivalents	22	**25,156**	66,002
		119,578	148,684
Current liabilities			
Trade and bill payables	23	**37,294**	46,391
Receipt in advance, accruals and other payables	24	**30,089**	23,355
Bank borrowings	25	**12,650**	6,769
Finance lease payables	26	**29,172**	18,917
Provision	27	**—**	—
Provision for tax		**—**	1,169
		109,205	96,601
Net current assets		**10,373**	52,083
Total assets less current liabilities		**301,053**	234,484
Non-current liabilities			
Bank borrowings	25	**32,193**	—
Finance lease payables	26	**68,930**	33,248
Deferred tax liabilities	28	**6,200**	7,334
		107,323	40,582
Net assets		**193,730**	193,902

Consolidated Statement of Financial Position (Continued)

as at 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
EQUITY			
Share capital	29	**2,000**	2,000
Reserves	30	**190,443**	190,510
Equity attributable to the Company's owners		**192,443**	192,510
Non-controlling interests		**1,287**	1,392
Total equity		**193,730**	193,902

Director

Director

Statement of Financial Position

as at 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	**105,597**	105,597
Current assets			
Amounts due from subsidiaries	18	**57,428**	39,597
Prepayments	21	**367**	389
Cash and cash equivalents	22	**1,111**	21,322
		58,906	61,308
Current liability			
Accruals	24	**277**	557
Net current assets		**58,629**	60,751
Total assets less current liabilities and net assets		**164,226**	166,348
EQUITY			
Share capital	29	**2,000**	2,000
Reserves	30	**162,226**	164,348
Total equity		**164,226**	166,348

Director

Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	Share capital	Share premium*	Merger reserve*	Property revaluation reserve*	Translation reserves*	Accumulated losses*	Equity attributable to the owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	—	—	121,985	2,377	3,976	(35,594)	92,744	1,516	94,260
Issue of ordinary shares at the date of incorporation and on group reorganisation (Notes 29(iii))	1,000	—	(1,000)	—	—	—	—	—	—
Issue of ordinary shares on loan capitalisation (Note 29(iv))	316	25,249	—	—	—	—	25,565	—	25,565
Issue of ordinary shares on capitalisation issue (Note 29(v))	184	(184)	—	—	—	—	—	—	—
Issue of ordinary shares under share offer (Note 29(vi))	500	49,500	—	—	—	—	50,000	—	50,000
Share issue expenses (Note 29(vi))	—	(4,597)	—	—	—	—	(4,597)	—	(4,597)
Transactions with owners	2,000	69,968	(1,000)	—	—	—	70,968	—	70,968
Profit/(loss) for the year	—	—	—	—	—	20,971	20,971	(124)	20,847
Other comprehensive income	—	—	—	1,038	6,789	—	7,827	—	7,827
Total comprehensive (loss)/income for the year	—	—	—	1,038	6,789	20,971	28,798	(124)	28,674
Depreciation transfer on property held for own use carried at fair value, net of tax	—	—	—	(63)	—	63	—	—	—
Balance at 31 December 2010	2,000	69,968	120,985	3,352	10,765	(14,560)	192,510	1,392	193,902

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2011

	Share capital	Share premium*	Merger reserve*	Property revaluation reserve*	Translation reserves*	Accumulated losses*	Equity attributable to the owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2011	2,000	69,968	120,985	3,352	10,765	(14,560)	192,510	1,392	193,902
Loss for the year	—	—	—	—	—	(1,071)	(1,071)	(105)	(1,176)
Other comprehensive (loss)/income	—	—	—	1,775	(771)	—	1,004	—	1,004
Total comprehensive (loss)/income for the year	—	—	—	1,775	(771)	(1,071)	(67)	(105)	(172)
Depreciation transfer on property held for own use carried at fair value, net of tax	—	—	—	(91)	—	91	—	—	—
Balance at 31 December 2011	2,000	69,968	120,985	5,036	9,994	(15,540)	192,443	1,287	193,730

* At 31 December 2011, the reserves accounts comprise the consolidated reserves of HK$190,443,000 (2010: HK$190,510,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(3,527)	18,940
Adjustments for:			
Bank interest income	9	(74)	(326)
Dividend income	9	—	(310)
Gain on disposal of property, plant and equipment	9	(194)	(23,836)
Allowance for impairment of trade receivables		464	—
Depreciation of property, plant and equipment	16	33,230	24,967
Fair value gain of derivative financial instruments		—	(159)
Interest expenses	10	6,024	5,188
Reversal of provisions for buy-back options	27	—	(767)
Operating profits before working capital changes		35,923	23,697
Decrease in inventories and consumables		1,912	6,555
Increase in trade receivables		(10,684)	(4,012)
Decrease/(increase) in prepayments, deposits and other receivables		2,297	(2,481)
Decrease in amounts due to a related party and fellow subsidiaries		—	(11,370)
(Decrease)/increase in trade and bill payables		(9,097)	14,804
Increase/(decrease) in receipt in advance, accruals and other payables		6,734	(6,777)
Cash generated from operations		27,085	20,416
Interest paid		(6,024)	(5,188)
Net cash generated from operating activities		21,061	15,228
Cash flows from investing activities			
Interest received		74	326
Dividend received		—	310
Purchase of property, plant and equipment	34	(40,369)	(21,536)
Deposit paid for property, plant and equipment		—	(4,814)
Decrease in pledged bank deposits		178	6,141
Proceeds from disposal of property, plant and equipment		418	30,159
Net cash (used in)/generated from investing activities		(39,699)	10,586

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
Cash flows from financing activities			
Repayment of obligations under finance leases		(27,758)	(52,970)
Proceeds of issue of shares		—	50,000
Share issue expenses		—	(4,597)
Proceeds from new borrowings		10,984	9,026
Repayment of borrowings		(4,494)	(11,282)
Net cash used in financing activities		(21,268)	(9,823)
Net (decrease)/increase in cash and cash equivalents		(39,906)	15,991
Cash and cash equivalents at 1 January		66,002	45,970
Effect of exchange rates changes on cash and cash equivalents		(940)	4,041
Cash and cash equivalents at 31 December		25,156	66,002

1. GENERAL

Manta Holdings Company Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Flat H, 9/F., Valiant Industrial Centre, 2-12 Au Pui Wan Street, Fo Tan, Shatin, Hong Kong. The Company and its subsidiaries (collectively known as the "Group") is principally engaged in trading of construction machinery and spare parts, leasing of the construction machinery and providing repair and maintenance services in respect of the construction machinery. The principal activities of the subsidiaries are described in Note 18.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEX") since 19 July 2010. The directors of the Company consider the Group's ultimate holding company as Mulpha International BHD ("Mulpha").

Pursuant to the announcement made by the directors of the Company and the joint announcement made by the directors of the Company and an independent third party, Eagle Legend International Holdings Limited ("Eagle Legend"), dated 14 February 2012 and 20 February 2012 respectively, Mulpha had entered into a conditional agreement (the "Agreement") for the sale of 75% of the entire issued share capital of the Company ("Sale Shares") at HK$1.90 per share to Eagle Legend, involving a change in control. Upon completion of the Agreement, Eagle Legend will become the Group's ultimate holding company.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on pages 21 to 80 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKEX (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for land and buildings carried at fair value, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars (HK$), which is the same as the functional currency of the Company.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were approved and authorised for issue by the board of directors on 22 February 2012.

4. ADOPTION OF HKFRSs

(a) Adoption of new / revised HKFRSs - effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new / revised standards and interpretations has no material impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. It also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 19 (2011)	Employee Benefits[3]
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2014
5 Effective for annual periods beginning on or after 1 January 2015

4. ADOPTION OF HKFRSs *(Continued)*

(b) New / revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill 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.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

When the Group loses control of 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

Subsidiaries are entities over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of the entities so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

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

(c) Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Building carried at cost	30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Leasehold improvements	30 years

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building carried at fair value.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

The Group as lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with Note 5(h). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments

(i) Financial assets

Financial assets are classified into loans and receivables and available-for-sale investment.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the receivables expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale investment

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss were recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade, bill and other payables, accruals, bank borrowings and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance lease payables

Finance lease payables are measured at initial value less the capital element of lease repayments.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(iv) Effective interest method

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

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

(g) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

(ii) Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

(iii) Service income is recognised when the services are rendered.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

(v) Dividend income is recognised when the right to receive payment is established.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Income taxes *(Continued)*

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

— the Group has the legally enforceable right to set off the recognised amounts; and

— intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

— the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

— the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(j) Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(k) Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Group's subsidiaries which operate in Vietnam and Macau are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute 20% of its payroll costs to the central pension scheme in Vietnam and certain percentage of its payroll cost to the central pension scheme in Macau.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment under cost model; or

— Investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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.

(m) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(p) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the directors 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 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.

(a) Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment, this estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair value of land and building carried at fair value

Land and building carried at fair value of the Group is stated at fair value less accumulated depreciation in accordance with the accounting policy stated in Note 5(c). The fair value of the leasehold land and building is determined by a firm of independently qualified professional surveyors. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgment and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(e) Impairment loss for trade and other receivables

The Group makes impairment loss for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

7. SEGMENT REPORTING

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

The Group has identified the following reportable segments:

— Hong Kong

— Singapore

— Vietnam

— Macau

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

Segment result excludes corporate expenses which mainly include listing expenses. Segment assets include all assets but exclude corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

No asymmetrical allocation has been applied to reportable segments.

7. SEGMENT REPORTING *(Continued)*

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Hong Kong	Singapore	Vietnam	Macau	Inter segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011						
Revenue						
From external customers	29,001	123,523	1,615	—	—	154,139
From inter segment	7,320	2,197	—	—	(9,517)	—
Reportable segment revenue	36,321	125,720	1,615	—	(9,517)	154,139
Reportable segment profit/(loss)	(2,627)	5,024	(315)	(55)	(1,944)	83
Unallocated corporate expenses						(1,259)
Loss for the year						(1,176)
Other reportable segment information						
Interest income	28	1	45	—	—	74
Interest expenses	(612)	(5,411)	(1)	—	—	(6,024)
Depreciation of non-financial assets	(6,847)	(25,891)	(492)	—	—	(33,230)
Allowance for impairment of trade receivables	—	(464)	—	—	—	(464)
Gain on disposal of property, plant and equipment	63	131	—	—	—	194
Income tax (expense)/credit	—	2,351	—	—	—	2,351
Additions to non-current segment assets during the year	28,959	124,353	25	—	(2,460)	150,877
At 31 December 2011						
Reportable segment assets	92,447	320,099	4,117	121	(6,893)	409,891
Unallocated segment assets						367
Total assets						410,258
Reportable segment liabilities	45,606	181,757	318	15	(11,445)	216,251
Unallocated segment liabilities						277
Total liabilities						216,528

7. SEGMENT REPORTING *(Continued)*

	Hong Kong	Singapore	Vietnam	Macau	Inter segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010						
Revenue						
From external customers	26,205	111,903	1,268	—	—	139,376
From inter segment	11,316	—	—	—	(11,316)	—
Reportable segment revenue	37,521	111,903	1,268	—	(11,316)	139,376
Reportable segment profit/(loss)	(120)	30,257	(374)	(92)	1,584	31,255
Unallocated corporate expenses						(10,408)
Profit for the year						20,847
Other reportable segment information						
Interest income	36	258	32	—	—	326
Interest expenses	(581)	(4,591)	(16)	—	—	(5,188)
Depreciation of non-financial assets	(5,766)	(18,656)	(545)	—	—	(24,967)
Gain on disposal of property, plant and equipment	—	23,836	—	—	—	23,836
Fair value gain of derivative financial instrument	159	—	—	—	—	159
Income tax credit	1,907	—	—	—	—	1,907
Reversal of provisions of buy-back options	767	—	—	—	—	767
Additions to non-current segment assets during the year	7,452	52,032	—	—	—	59,484
At 31 December 2010						
Reportable segment assets	91,793	241,504	4,705	97	(7,403)	330,696
Unallocated segment assets						389
Total assets						331,085
Reportable segment liabilities	39,101	170,994	1,021	547	(75,037)	136,626
Unallocated segment liabilities						557
Total liabilities						137,183

7. SEGMENT REPORTING *(Continued)*

The following table presents the revenue from external customers by locations / jurisdictions on the locations of customers which the Group derived revenue for the year.

	Hong Kong	Singapore	Vietnam	Macau	Holland	Sri Lanka	Poland	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2011	**25,898**	**119,248**	**1,953**	**1,886**	**1,149**	**1,290**	**676**	**2,039**	**154,139**
Year ended 31 December 2010	27,476	108,763	4	—	—	246	1,152	1,735	139,376

The Group's revenue from external customers for different products and services is set out in note 8.

No customer attributed more than 10% of the Group's total revenue (2010: nil).

8. REVENUE

The Group's principal activities are trading of construction machinery and spare parts, leasing of the construction machinery and providing repair and maintenance of services in respect of the construction machinery.

Revenue from the Group's principal activities during the year is as follows:

	2011	2010
	HK$'000	HK$'000
Sale of machinery	**35,992**	29,306
Sale of spare parts	**4,942**	6,246
Rental income from leasing of		
– owned plant and machinery	**75,864**	62,431
– leased plant and machinery	**19,506**	28,547
Service income	**17,835**	12,846
	154,139	139,376

9. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Bank interest income	74	326
Compensation received	384	851
Dividend income	—	310
Net foreign exchange gain	1,728	1,307
Gain on disposal of property, plant and equipment	194	23,836
Reversal of provisions of buy-back options	—	767
Sales of fixing angles	116	385
Commission income	274	—
Insurance claims	1,614	—
Others	649	114
	5,033	27,896

10. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest charges on financial liabilities stated at amortised cost:		
– Bank loans wholly repayable within five years (Note (i))	415	689
– Bank loans not wholly repayable within five years	703	—
– Finance lease payables wholly repayable within five years	4,030	3,543
– Advances from fellow subsidiaries	—	432
– Advance from a related company	—	3
– Trade payables	876	520
– Others	—	1
	6,024	5,188

Note:

(i) The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause in accordance with the agreed scheduled repayments dates set out in the loan agreements. The interest on bank borrowings which includes a repayment on demand clause amounted to approximately HK$7,000 (2010: HK$689,000).

11. (LOSS)/PROFIT BEFORE INCOME TAX

	2011	2010
	HK$'000	HK$'000
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
– Current year	823	1,255
– Overprovision in respect of prior year	(323)	—
Cost of inventories recognised as an expense	35,579	26,852
Depreciation of property, plant and equipment (Note (i))		
– Owned assets	18,818	15,917
– Leased assets	14,412	9,050
Allowance for impairment of trade receivables (Note (ii))	464	—
Gain on disposal of property, plant and equipment	(194)	(23,836)
Fair value gain of derivative financial instruments	—	(159)
Listing expenses	—	8,259
Operating lease charges in respect of land and buildings	2,354	3,426
Provision for loss of legal claim (Note (iii) and 31)	149	—
Staff costs (including directors' remuneration (Note 15))		
– Wages, salaries and bonuses	21,796	16,762
– Contribution to defined contribution pension plans (Note (iv))	2,223	1,500
Net foreign exchange gain	(1,728)	(1,307)
Net rental income from subletting of plant and machinery	(5,936)	(5,964)

Notes:

(i) Depreciation of approximately HK$33,230,000 (2010: HK$24,961,000) and nil (2010: HK$6,000) have been charged to other operating expenses and administrative expenses respectively.

(ii) Allowance for impairment on trade receivables had been included in administrative expenses.

(iii) Provision for loss of legal claim had been included in administrative expenses.

(iv) During the year, the Group had no forfeited contributions available to reduce its contributions to the pension schemes (2010: nil).

12. INCOME TAX CREDIT

	2011	2010
	HK$'000	HK$'000
Current tax – overseas		
– Overprovision in respect of prior years	1,204	—
Deferred tax		
– Credit to profit or loss	—	1,907
– Overprovision in prior year (Note 28)	1,147	—
Total income tax credit	2,351	1,907

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong, Vietnam and Macau profits tax have not been provided as the Group has (i) no assessable profit or (ii) allowable tax losses brought forward to set off against the assessable profits during the year.

No provision for Singapore profits tax has been provided as the Group has no assessable profit for the year (2010: nil).

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

A reconciliation of income tax credit and accounting (loss)/profit at applicable tax rate is as follows:

	2011	2010
	HK$'000	HK$'000
(Loss)/profit before income tax	(3,527)	18,940
Tax calculated at the domestic tax rate of 16.5% (2010: 16.5%)	(582)	3,125
Tax effect of different tax rates of subsidiaries	3	151
Tax effect of non-deductible expenses	905	5,491
Tax effect of non-taxable income	(170)	(4,821)
Tax effect of temporary difference not recognised	—	(425)
Tax effect of prior year's unrecognised tax losses utilised this year	(195)	(658)
Tax effect of tax losses not recognised	—	(4,770)
Overprovision in respect of prior years	(2,351)	—
Others	39	—
Income tax credit	(2,351)	(1,907)

13. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2011 (2010: nil).

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK$1,071,000 (2010: a profit of HK$20,971,000) and on the weighted average number of 200,000,000 (2010: 157,476,028) ordinary shares in issue during the year.

No diluted (loss)/earnings per share is presented as the Group has no dilutive potential shares during the year (2010: no).

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	Directors' fees	Other emoluments			Total
		Salaries, allowances and other benefits	Discretionary bonuses	Contribution to pension plans	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011					
Executive directors					
Mr. Chung Tze Hien	120	—	120	—	240
Mr. Quek Chang Yeow	—	1,280	558	76	1,914
Mr. Lai Siu Shing	—	872	70	12	954
Independent non-executive directors					
Mr. Cheung Chi Wai Vidy	80	—	—	—	80
Mr. Lau Wing Yuen	80	—	—	—	80
Mr. Louie Chun Kit	110	—	—	—	110
	390	2,152	748	88	3,378
2010					
Executive directors					
Mr. Chung Tze Hien	62	—	—	—	62
Mr. Quek Chang Yeow	—	1,014	412	64	1,490
Mr. Lai Siu Shing	—	1,088	69	12	1,169
Independent non-executive directors					
Mr. Cheung Chi Wai Vidy	31	10	—	—	41
Mr. Lau Wing Yuen	31	10	—	—	41
Mr. Louie Chun Kit	31	27	—	—	58
	155	2,149	481	76	2,861

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2010: nil).

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2010: nil).

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year (2010: 2 directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals for the year (2010: 3 individuals) are as follows :

	2011	2010
	HK$'000	HK$'000
Salaries and other emoluments	1,771	1,597
Discretionary bonuses	448	348
Contribution to pension plans	199	134
	2,418	2,079

The emoluments of non-director individuals fell within the following bands:

	2011	2010
Nil to HK$1,000,000	2	3
HK$1,000,001 to HK$1,500,000	1	—

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2010: nil).

16. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and building carried at fair value	Building carried at cost	Plant and machinery	Furniture and fixture	Office and other equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010								
Cost or valuation	4,068	5,160	251,430	2,890	3,713	3,093	—	270,354
Accumulated depreciation	—	(516)	(116,151)	(2,719)	(3,134)	(1,951)	—	(124,471)
Net carrying amount	4,068	4,644	135,279	171	579	1,142	—	145,883
Year ended 31 December 2010								
Opening net carrying amount	4,068	4,644	135,279	171	579	1,142	—	145,883
Additions	—	—	53,769	20	296	585	—	54,670
Disposals	—	(4,889)	(1,340)	(1)	(7)	(86)	—	(6,323)
Depreciation	(108)	(102)	(23,918)	(99)	(258)	(482)	—	(24,967)
Transfer to inventories	—	—	(780)	—	—	—	—	(780)
Valuation adjustment	1,038	—	—	—	—	—	—	1,038
Exchange differences	—	347	7,056	1	3	79	—	7,486
Closing net carrying amount	4,998	—	170,066	92	613	1,238	—	177,007
At 31 December 2010 and 1 January 2011								
Cost or valuation	4,998	—	310,630	2,658	3,692	3,483	—	325,461
Accumulated depreciation	—	—	(140,564)	(2,566)	(3,079)	(2,245)	—	(148,454)
Net carrying amount	4,998	—	170,066	92	613	1,238	—	177,007
Year ended 31 December 2011								
Opening net carrying amount	4,998	—	170,066	92	613	1,238	—	177,007
Additions	—	47,819	96,863	177	361	989	4,668	150,877
Disposals	—	—	(155)	—	—	(69)	—	(224)
Depreciation	(135)	(1,702)	(30,348)	(77)	(328)	(548)	(92)	(33,230)
Transfer to inventories	—	—	(5,907)	—	—	—	—	(5,907)
Valuation adjustment	1,775	—	—	—	—	—	—	1,775
Exchange differences	—	61	(276)	1	6	7	3	(198)
Closing net carrying amount	6,638	46,178	230,243	193	652	1,617	4,579	290,100
At 31 December 2011								
Cost or valuation	6,638	47,819	398,645	2,630	3,983	3,898	4,668	468,281
Accumulated depreciation	—	(1,641)	(168,402)	(2,437)	(3,331)	(2,281)	(89)	(178,181)
Net carrying amount	6,638	46,178	230,243	193	652	1,617	4,579	290,100

16. PROPERTY, PLANT AND EQUIPMENT - GROUP *(Continued)*

The analysis of net carrying amounts for the above assets under the cost or valuation model is as follows:

	Land and building carried at fair value	Building carried at cost	Plant and machinery	Furniture and fixture	Office and other equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2011								
At cost	—	46,178	230,243	193	652	1,617	4,579	283,462
At valuation	6,638	—	—	—	—	—	—	6,638
	6,638	46,178	230,243	193	652	1,617	4,579	290,100
At 31 December 2010								
At cost	—	—	170,066	92	613	1,238	—	172,009
At valuation	4,998	—	—	—	—	—	—	4,998
	4,998	—	170,066	92	613	1,238	—	177,007

The Group's land and building carried at fair value were valued at 31 December 2011 on an open market value basis by a firm of independent qualified professional surveyor, LCH (Asia-Pacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings. The revaluation surplus was credited to other comprehensive income.

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2011	2010
	HK$'000	HK$'000
Cost	**1,871**	1,871
Accumulated depreciation	**(686)**	(653)
Net carrying amount	**1,185**	1,218

At 31 December 2011, the Group's land and building carried at fair value was situated in the Hong Kong (2010: Hong Kong) and is held under medium term lease (2010: medium term lease).

At 31 December 2011, the Group's building carried at cost was situated in Singapore and is held under medium term lease.

At 31 December 2011, the net carrying amount of the Group's plant and machinery (2010: plant and machinery and motor vehicles) included an amount of HK$148,171,000 (2010: HK$71,588,000) in respect of assets held under finance lease (Note 26).

At 31 December 2011, the net carrying amount of the Group's plant and machinery included an amount of HK$9,913,000 (2010 HK$6,636,000) were pledged as security for bank borrowings (Note 25).

16. PROPERTY, PLANT AND EQUIPMENT - GROUP *(Continued)*

At 31 December 2011, the net carrying amount of the Group's land and building carried at fair value included an amount of approximately HK$6,638,000 (2010: HK$4,998,000) were pledged as security for bank borrowings (Note 25).

At 31 December 2011, the net carrying amount of the Group's building carried at cost included an amount of approximately HK$46,178,000 (2010: nil) were pledged as security for bank borrowings (Note 25).

17. AVAILABLE-FOR-SALE INVESTMENT - GROUP

	2011	2010
	HK$'000	HK$'000
Unlisted equity investment, at cost	**580**	580

The Group had 15% equity interest in深圳能科達機械工程有限公司, Shenzhen Nectar Engineering & Equipment Co., Ltd.*, a Sino-foreign-owned joint venture enterprise incorporated in the People's Republic of China (the "PRC").

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment and the management has no intention to dispose of such investment at reporting date.

18. INTERESTS IN SUBSIDIARIES - COMPANY

	2011	2010
	HK$'000	HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	**105,597**	105,597
Amounts due from subsidiaries	**57,428**	39,597

The amounts due from subsidiaries were unsecured, interest free and repayable on demand.

During the year, the Company's former subsidiary namely Manta Engineering Pte Limited, which was incorporated in Singapore, was struck off from the register in accordance with Section 344(10) of the Companies Act.

18. INTERESTS IN SUBSIDIARIES - COMPANY *(Continued)*

At 31 December 2011, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Place of incorporation	Particulars of issued and fully paid share capital / registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Chief Strategy Limited	BVI	300 ordinary shares of USD1 each	100%	Investment holding
Gold Lake Holdings Limited	BVI	100 ordinary shares of USD1 each	100%	Investment holding
Interests held indirectly				
Manta Engineering and Equipment Company, Limited	Hong Kong	145,306 ordinary shares of HK$100 each	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited	Hong Kong	96,148 ordinary shares of HK$100 each	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment (S) Pte Ltd	Singapore	10,000,000 ordinary shares of S$1 each	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited	Hong Kong	1,132 ordinary shares of HK$100 each	100%	Investment holding
Manta-Vietnam Construction Equipment Leasing Limited	Vietnam	Owner invest equity VND10,649,879,390	67%	Leasing of construction equipment
Manta Engineering and Equipment (Macau) Company Limited	Macau	1 quota with nominal value of MOP25,000	100%	Leasing of construction equipment
Manta Services (S) Pte Limited	Singapore	10,000 ordinary shares of S$1 each	100%	Inactive

19. INVENTORIES AND CONSUMABLES - GROUP

	2011	2010
	HK$'000	HK$'000
Cranes and spare parts	35,085	31,090

20. TRADE RECEIVABLES - GROUP

	2011	2010
	HK$'000	HK$'000
Trade receivables, gross	46,025	35,475
Less: Provision for impairment	(519)	(189)
Trade receivables, net	45,506	35,286

The Group's trading terms with its existing customers are mainly on credit. The credit period is generally for a period of 0 to 60 days or based on the terms agreed in the sale and rental agreement.

The directors of the Company consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2011	2010
	HK$'000	HK$'000
0 – 30 days	16,201	11,887
31 – 60 days	10,852	10,307
61 – 90 days	6,647	1,160
Over 90 days	11,806	11,932
	45,506	35,286

20. TRADE RECEIVABLES - GROUP *(Continued)*

The movement in the allowance for impairment of trade receivables during the year is as follows:

	2011	2010
	HK$'000	HK$'000
At 1 January	**189**	221
Impairment loss recognised	**464**	—
Bad debts written off	**(117)**	—
Net exchange differences	**(17)**	(32)
At 31 December	**519**	189

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. At 31 December 2011, the Group has determined trade receivables of approximately HK$519,000 as individually impaired (2010: HK$189,000). Based on this assessment, approximately HK$464,000 (2010: nil) impairment loss had been provided and HK$117,000 (2010: nil) impairment loss was written off for the year. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**15,574**	11,456
Not more than 3 months past due	**24,685**	16,838
Over 3 months past due	**5,247**	6,992
	45,506	35,286

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - GROUP AND COMPANY

	2011	2010
	HK$'000	HK$'000
Group		
Non-current portion		
Deposit paid for acquisition of a property (Note 32(c))	—	4,814
Current portion		
Prepayments	7,695	9,107
Deposits	1,246	2,637
Other receivables	1,371	865
	10,312	12,609
Company		
Prepayments	367	389

None of the above financial assets was either past due or impaired. The financial assets included in the above balances related to counterparties for which there was no recent history of default.

The carrying amounts of deposits and other receivables of the Group approximate their fair values as this financial asset which is measured at amortised cost, is expected to be repaid within a short timescale, such that the time value of money is not significant.

22. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS - GROUP AND COMPANY

Pledged bank deposits have maturities of 9 months as at 31 December 2011 (2010: 9 months) and such deposits have been pledged to certain banks as securities for bank borrowings (Note 25) (2010: bank borrowings and finance lease payables (Note 26)). The effective interest rates of the Group's pledged bank deposits were set out in note 35(a). The directors of the Company considered that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

Cash and cash equivalents represent cash at bank and on hand. Cash at bank earns interest at floating rates based on daily bank deposits rates. The Group's and the Company's exposures to foreign currency risk were set out in note 35(c).

23. TRADE AND BILL PAYABLES - GROUP

	2011	2010
	HK$'000	HK$'000
Trade payables	24,298	46,391
Bill payables	12,996	—
	37,294	46,391

The credit period is generally for a period of 0 to 60 days or based on the terms agreed in the purchase agreement. At 31 December 2011, trade payables of approximately HK$14,634,000 (2010: HK$23,599,000) were interest-bearing at 4.5% - 5% per annum (2010: 5% per annum).

The ageing analysis of trade and bill payables as at the reporting date, based on invoice date, is as follows:

	2011	2010
	HK$'000	HK$'000
0 – 30 days	28,261	12,639
31 – 60 days	4,819	11,501
61 – 90 days	931	469
Over 90 days	3,283	21,782
	37,294	46,391

The fair values of trade and bill payables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

24. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES - GROUP AND COMPANY

	2011	2010
	HK$'000	HK$'000
Group		
Receipt in advance	24,091	14,190
Accruals	5,625	4,874
Other payables	373	4,291
	30,089	23,355
Company		
Accruals	277	557

The carrying amounts of accruals and other payables of the Group and the Company approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

25. BANK BORROWINGS - GROUP

	2011	2010
	HK$'000	HK$'000
Repayable :		
Within one year	**9,939**	2,206
More than one year, but not exceeding two years	**6,523**	2,319
More than two years, but not exceeding five years	**8,386**	2,244
More than five years	**19,995**	—
	44,843	6,769
Portion classified as current liabilities	**(12,650)**	(6,769)
Non-current portion	**32,193**	—

Bank borrowings were denominated in Hong Kong Dollars and Singapore Dollars. The effective interest rates of the Group's bank borrowings were set out in note 35(a).

At 31 December 2010 and 2011, bank borrowings of the Group were secured by bank deposits (Note 22), land and building carried at fair value, building carried at cost and plant and machinery of the Group (Note 16) and corporate guarantees executed by the Company.

The carrying values of the Group's borrowings approximate their fair values.

The current liabilities included bank borrowings of approximately HK$2,756,000 (2010: HK$4,563,000) that are not scheduled to repay within one year. They were classified as current liabilities as the related loan agreements contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

26. FINANCE LEASE PAYABLES - GROUP

	2011	2010
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	**33,910**	21,627
Due in the second to fifth years	**76,532**	34,933
	110,442	56,560
Future finance charges on finance leases	**(12,340)**	(4,395)
Present value of finance lease liabilities	**98,102**	52,165
Present value of minimum lease payments:		
Due within one year	**29,172**	18,917
Due in the second to fifth years	**68,930**	33,248
	98,102	52,165
Less: Portion classified as current liabilities	**(29,172)**	(18,917)
Non-current portion	**68,930**	33,248

The Group has entered into finance leases for items of property, plant and equipment. The average lease term is 3 to 5 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised. None of the leases include contingent rentals.

Finance lease payables bore interest at fixed interest rates. The effective interest rates on the Group's finance lease payables as at reporting date ranged from 2.1% to 8.6% (2010: 5.0% to 8.3%).

At 31 December 2011, finance lease payables of the Group were secured by corporate guarantees executed by the Company.

At 31 December 2010, finance lease payables of the Group were secured by bank deposits (Note 22) and corporate guarantees executed by the Company.

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

27. PROVISION - GROUP

The provision represented the best estimate of the Group's liability for a buy-back option arising from sales of cranes. The movement during the year is as follows :

	2011	2010
	HK$'000	HK$'000
At 1 January	—	767
Provision reversed during the year	—	(767)
At 31 December	—	—

28. DEFERRED TAX - GROUP

Deferred tax is calculated in full on temporary differences under the liability method using the following principal tax rates:

	2011	2010
	HK$'000	HK$'000
Hong Kong profits tax	16.5%	16.5%
Singapore profits tax	17%	17%

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation
	HK$'000
At 1 January 2010	(8,893)
Recognised in the profit or loss (Note 12)	1,907
Exchange differences	(348)
At 31 December 2010 and 1 January 2011	(7,334)
Recognised in the profit or loss (Note 12)	1,147
Exchange differences	(13)
At 31 December 2011	(6,200)

29. SHARE CAPITAL

	Notes	2011 Number	2011 Amount HK$'000	2010 Number	2010 Amount HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At 1 January		200,000,000,000	2,000,000	—	—
Upon incorporation	(i)	—	—	5,000,000	50
Increase in authorised ordinary shares	(ii)	—	—	199,995,000,000	1,999,950
At 31 December		200,000,000,000	2,000,000	200,000,000,000	2,000,000
Issued and fully paid:					
At 1 January		200,000,000	2,000	—	—
Upon incorporation	(i)	—	—	1	—
Issue of ordinary shares on group reorganisation	(iii)	—	—	99,999,999	1,000
Issue of ordinary shares on loan capitalisation	(iv)	—	—	31,550,000	316
Issue of ordinary shares on capitalisation issue	(v)	—	—	18,450,000	184
Issue of ordinary shares under Share Offer	(vi)	—	—	50,000,000	500
At 31 December		200,000,000	2,000	200,000,000	2,000

Notes:

(i) The Company was incorporated in the Cayman Islands on 11 March 2010. At the date of incorporation, the authorised share capital of the Company was HK$50,000 divided into 5,000,000 ordinary shares of HK$0.01 each. Following the incorporation, one ordinary share of HK$0.01 was allotted and issued at par.

(ii) Pursuant to the written resolutions dated 25 June 2010, the authorised share capital of the Company was increased from HK$50,000 to HK$2,000,000,000 comprising 200,000,000,000 ordinary shares of HK$0.01 each by creation of additional 199,995,000,000 ordinary shares.

(iii) On 25 June 2010, the Company allotted and issued 99,999,999 ordinary shares, all credited as fully paid, in consideration for the acquisition of certain subsidiaries upon completion of the group reorganisation.

(iv) On 25 June 2010, the outstanding balance with certain fellow subsidiaries, which are wholly owned by Mulpha, of approximately HK$25,565,000 was capitalised, pursuant to which 31,550,000 ordinary shares of HK$0.01 each were issued at a price of approximately HK$0.81 each to Jumbo Hill Group Limited, the immediate holding company of the Company and a wholly owned subsidiary of Mulpha. A share premium of approximately HK$25,249,000 arose and was recorded as equity of the Company.

(v) On 16 July 2010, written resolution of all the shareholders were passed pursuant to conditional upon the share premium account of the Company being credited as a result of initial public offering, the directors were authorised to capitalise an amount of approximately HK$184,500 from the share premium account of the Company for paying up in full at par 18,450,000 ordinary shares of HK$0.01 each for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on 16 July 2010.

(vi) On 19 July 2010, the Company allotted and issued 50,000,000 ordinary shares of HK$0.01 each upon listing of shares on the HKEX at a price of HK$1 each (the "Share Offer").

30. RESERVES - GROUP AND COMPANY

Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company.

Share premium

The share premium account represented the premium arose from the issue of shares of the Company.

Group

Details of the movements on the Group's reserve are as set out in the consolidation statements of changes in equity.

Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 11 March 2010 (Date of incorporation)	—	—	—	—
Issue of shares pursuant to group reorganisation (Note 29(iii))	—	104,597	—	104,597
Issue of ordinary shares on loan capitalisation (Note 29(iv))	25,249	—	—	25,249
Issue of ordinary shares on capitalisation issue (Note 29(v))	(184)	—	—	(184)
Issue of ordinary shares under share offer (Note 29(vi))	49,500	—	—	49,500
Share issue expenses	(4,597)	—	—	(4,597)
Transactions with owners	69,968	104,597	—	174,565
Loss and total comprehensive loss for the period	—	—	(10,217)	(10,217)
Balance at 31 December 2010 and 1 January 2011	69,968	104,597	(10,217)	164,348
Loss and total comprehensive loss for the year	**—**	**—**	**(2,122)**	**(2,122)**
Balance at 31 December 2011	**69,968**	**104,597**	**(12,339)**	**162,226**

31. OUTSTANDING CLAIM - GROUP

The Group had received two letters dated 8 June 2009 and 26 May 2010 in relation to intended common law claim lodged by a staff of security guard company (the "Plaintiff") retained by the Group for his injury on 21 September 2008 in the course of his employment. Since no formal legal action was taken by the Plaintiff against the Group, the Group, after consulting a legal adviser, considered that no provision for the claim should be made in the financial statements for the year ended 31 December 2010 because the directors of the Company considered it was not probable that the claim would be material and there would not be any significant impact on the Group's financial results. Besides, Mulpha agreed to indemnify for the Company for the claim amount if any.

On 23 May 2011, the Plaintiff filed with the District Court his claim for his injury against the security guard company (the "1st defendant") and the Group. On 11 November 2011, the Group and the 1st defendant agreed to make joint sanctioned payment to the Plaintiff of HK$230,000 on top of the statutory employees' compensation and the related legal cost which had been provided in the statement of comprehensive income as expense. The corresponding indemnity provided by Mulpha is recognised as income respectively for the year ended 31 December 2011. In the opinion of the directors, the Group may be liable to further administrative costs and disbursements of the Plaintiff. As of the date of these financial statements, the directors of the Company consider that the potential outstanding amount of claims would be immaterial.

32. COMMITMENTS - GROUP AND COMPANY

(a) Operating lease commitment – as lessor

The Group had future aggregate minimum lease receipts in respect of plant and machinery owned by the Group under non-cancellable operating leases as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**45,215**	11,576
In the second to fifth years, inclusive	**1,400**	1,576
	46,615	13,152

The Group had future aggregate minimum lease receipts in respect of plant and machinery subletted by the Group under non-cancellable operating leases as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**5,769**	5,694
In the second to fifth years, inclusive	**329**	899
	6,098	6,593

The Group leases its plant and machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

The Company does not have any minimum lease receipts under non-cancellable operating leases.

32. COMMITMENTS - GROUP AND COMPANY *(Continued)*

(b) Operating lease commitment - as lessee

The total future minimum lease payments of the Group in respect of plant and machinery, and properties under non-cancellable operating leases are as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	1,691	1,563
In the second to fifth years, inclusive	1,966	3,449
After five years	1,900	1,913
	5,557	6,925

The leases run for a period of one to fifteen years. All rentals are fixed over the lease terms and do not include contingent rentals.

The Company does not have any significant operating lease commitments as lessee.

(c) Capital commitment

	2011	2010
	HK$'000	HK$'000
Group		
Property, plant and equipment - plant and machinery		
(2010: a property)		
Contracted but not provided for	4,009	43,323

The Company does not have any significant capital commitments.

33. RELATED PARTY TRANSACTIONS - GROUP

Saved as disclosed elsewhere in the financial statements, the Group has the following related party transactions during the year.

(i) Significant related party transactions during the year

	2011	2010
	HK$'000	HK$'000
Management fee payable to ultimate holding company	—	30
Interest paid to fellow subsidiaries	—	432
Interest paid to a related company	—	3
Rental paid to a fellow subsidiary	—	5

The terms of transactions were mutually agreed by the Group and the ultimate holding company / fellow subsidiaries / a related company.

(ii) Key management personnel compensation

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	HK$'000	HK$'000
Short-term employee benefits	3,290	4,528
Post employment benefit	88	210
	3,378	4,738

34. SIGNIFICANT NON-CASH TRANSACTIONS - GROUP

Additions to building carried at cost of approximately HK$31,628,000 and HK$4,814,000 were financed by bank loans and capitalised from non-current deposit respectively.

Additions to property, plant and equipment of approximately HK$74,066,000 (2010: HK$33,134,000) were financed by finance leases.

During the year ended 31 December 2010, approximately HK$25,565,000 of the amounts due to fellow subsidiaries which are wholly owned by Mulpha were capitalised (Note 29(iv)).

During the year ended 31 December 2010, an amount of approximately HK$184,000 were capitalised from the share premium account of the Company.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the board of directors.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's bank deposits and cash at bank balances were bearing floating interest rates. The Group also has bank borrowings, trade payables and finance leases payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(a) Interest rate risk *(Continued)*

(i) Exposure

The following table details the interest rate profile of the Group's and the Company's variable rate financial instruments at the reporting date:

	Effective interest rate per annum		Carrying amount	
	2011	2010	**2011**	2010
	%	%	**HK$'000**	HK$'000
Group				
Financial assets				
Pledged bank deposits	**0.4**	0.4	**3,519**	3,697
Cash and cash equivalents	**0 - 0.2**	0 - 0.2	**25,156**	66,002
			28,675	69,699
Financial liabilities				
Bank borrowings	**3.0 - 5.0**	5.0	**44,843**	6,769
Net exposure			**(16,168)**	62,930
Company				
Financial assets				
Cash and cash equivalents	**0 - 0.2**	0 - 0.2	**1,111**	21,322

The policies to manage interest rate risk have been followed by the Group and the Company consistently throughout the year.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(a) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of (loss)/profit after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2010: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2011	2010
	HK$'000	HK$'000
Effect on (loss)/profit after income tax for the year and accumulated losses	**(134)**	524

A – 1% (2010: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

The Company has no significant interest rate risks.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

In respect of trade and other receivables and deposits, the Group is not exposed to any significant credit risk exposure to any single counterparty/customer or any group of counterparties/customers having similar characteristics. The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has operations in Hong Kong, Singapore, Vietnam and Macau. Income and expenses of the Group are primarily denominated in HK$, Singapore Dollars ("S$"), Euro ("EUR"), United States Dollars ("US$") and Vietnamese Dong ("VND"). Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$ and US$ while purchases are mainly denominated in HK$, EUR, S$ and US$. EUR and US$ are not the functional currencies of the Group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

(i) Exposure

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, are as follows:

	EUR	USD
	HK$'000	HK$'000
2011		
Trade receivables	—	114
Cash and cash equivalents	88	2,871
Trade and bill payables	7,825	19,773
2010		
Cash and cash equivalents	94	4,006
Trade payables	3,831	27,458

The Company has no significant foreign currency risks.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(c) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of the Group's (loss)/profit after income tax for the year and accumulated losses in regards to 1% (2010: 1%) appreciation in the Group's functional currencies against Euro and 1% (2010: 1%) against USD for the year. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	EUR	USD
	HK$'000	HK$'000
2011		
(Loss)/profit after income tax and accumulated losses	**64**	**140**
2010		
(Loss)/profit after income tax and accumulated losses	31	195

The same % depreciation in the Group's functional currencies against the respective foreign currencies would have the same magnitude on the Group's profit after income tax and retained earnings as shown above and equity but of opposite effect, on the basis that all variables remain constant (2010: -1%).

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(d) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount	Total contractual undiscounted cash flow	On demand	Less than one year	More than one year
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011					
Financial liabilities					
– Trade and bill payables	**37,294**	**37,294**	**—**	**37,294**	**—**
– Accruals and other payables	**5,998**	**5,998**	**5,998**	**—**	**—**
– Bank borrowings	**44,843**	**55,931**	**3,595**	**10,126**	**42,210**
– Finance lease payables	**98,102**	**110,442**	**—**	**33,910**	**76,532**
	186,237	**209,665**	**9,593**	**81,330**	**118,742**
2010					
Financial liabilities					
– Trade payables	46,391	47,688	—	47,688	—
– Accruals and other payables	9,165	9,165	9,165	—	—
– Bank borrowings	6,769	6,769	6,769	—	—
– Finance lease payables	52,165	56,560	—	21,627	34,933
	114,490	120,182	15,934	69,315	34,933

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(d) Liquidity risk *(Continued)*

Taking into account the Group's financial position the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

	Carrying amount	Total contractual undiscounted cash flow	On demand	Less than one year	More than one year but less than two years	More than two years but less than five years	More than five years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2011	**44,843**	**56,273**	**—**	**11,111**	**8,116**	**12,059**	**24,987**
31 December 2010	6,769	7,290	—	2,494	4,796	—	—

The Company has no significant liquidity risks.

(e) Fair value

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT - GROUP AND COMPANY *(Continued)*

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2011	2010
	HK$'000	HK$'000
Group		
Financial assets		
Loans and receivables		
– Trade receivables	45,506	35,286
– Other receivables and deposits	2,617	3,502
– Pledged bank deposits	3,519	3,697
– Cash and cash equivalents	25,156	66,002
	76,798	108,487
At cost less impairment loss		
– Available-for-sale investment	580	580
	77,378	109,067
Financial liabilities		
At amortised cost		
– Trade and bill payables	37,294	46,391
– Accruals and other payables	5,998	9,165
– Bank borrowings	44,843	6,769
– Finance lease payables	98,102	52,165
	186,237	114,490
Company		
Financial assets		
Loans and receivables		
– Amounts due from subsidiaries	57,428	39,597
– Cash and cash equivalents	1,111	21,322
	58,539	60,919
Financial liabilities		
At amortised cost		
– Accruals	277	557

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of bank borrowings, finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2011	2010
	HK$'000	HK$'000
Bank borrowings	44,843	6,769
Finance lease payables	98,102	52,165
Total debts	142,945	58,934
Total equity	193,730	193,902
Total debt to equity ratio	0.7	0.3

Five Years Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 30 June 2010, is set out below:

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	212,874	262,537	183,509	139,376	**154,139**
Cost of sales and services	(152,148)	(186,117)	(92,720)	(71,266)	**(79,230)**
Gross profit	60,726	76,420	90,789	68,110	**74,909**
Other income	3,456	4,407	2,288	27,896	**5,033**
Selling and distribution expenses	(5,079)	(3,991)	(2,085)	(3,626)	**(2,316)**
Administrative expenses	(21,094)	(25,353)	(26,200)	(43,291)	**(41,899)**
Other operating expenses	(20,985)	(21,443)	(21,360)	(24,961)	**(33,230)**
Finance costs	(7,180)	(8,652)	(6,527)	(5,188)	**(6,024)**
Profit/(Loss) before income tax	9,844	21,388	36,905	18,940	**(3,527)**
Income tax credit/(expense)	4,019	(1,127)	(8,414)	1,907	**2,351**
Profit/(Loss) for the year	13,863	20,261	28,491	20,847	**(1,176)**
Other comprehensive income/(loss)					
Exchange difference arising on translating of foreign operations	(60)	(428)	4,454	6,789	**(771)**
Gain on revaluation of property held for own use, net of tax	—	—	1,618	1,038	**1,775**
Other comprehensive income/(loss) for the year	(60)	(428)	6,072	7,827	**1,004**
Total comprehensive income/(loss) for the year	13,803	19,833	34,563	28,674	**(172)**
Profit/(Loss) for the year attributable to:					
Owners of the Company	13,895	20,342	28,517	20,971	**(1,071)**
Non-controlling interests	(32)	(81)	(26)	(124)	**(105)**
	13,863	20,261	28,491	20,847	**(1,176)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company	13,835	19,914	34,589	28,798	**(67)**
Non-controlling interests	(32)	(81)	(26)	(124)	**(105)**
	13,803	19,833	34,563	28,674	**(172)**

Five Years Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	219,437	246,710	280,538	331,085	**410,258**
TOTAL LIABILITIES	(179,573)	(187,013)	(186,278)	(137,183)	**(216,528)**
NON-CONTROLLING INTERESTS	(1,623)	(1,542)	(1,516)	(1,392)	**(1,287)**
	38,241	58,155	92,744	192,510	**192,443**