Pacific Plywood Holdings Limited
太平洋實業控股有限公司

(Stock Code : 00767)

2011 ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. NG Kwok Fai, *Chairman* (appointed on 24 November 2011)
Mr. HUANG Chuan Fu, *Deputy Chairman*
Mr. LIANG Jian Hua
Ms. JIA Hui
Mr. JIANG Yi Ren

NON-EXECUTIVE DIRECTOR

Mr. CHAN Kin Sang (re-designated on 16 December 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chun Hung
Mr. CHENG Po Yuen
Mr. LI Sui Yang (appointed on 16 December 2011)

COMPANY SECRETARY

Ms. TAM Hang Yin

AUDIT COMMITTEE MEMBERS

Mr. WONG Chun Hung, *Chairman*
Mr. CHENG Po Yuen
Mr. LI Sui Yang (appointed on 16 December 2011)
Mr. CHAN Kin Sang (ceased to be member on 16 December 2011)

NOMINATION COMMITTEE MEMBERS

(established on 13 February 2012)

Mr. CHENG Po Yuen, *Chairman*
(appointed on 13 February 2012)
Mr. WONG Chun Hung (appointed on 13 February 2012)
Mr. LI Sui Yang (appointed on 13 February 2012)

REMUNERATION COMMITTEE MEMBERS

Mr. WONG Chun Hung, *Chairman*
Mr. CHENG Po Yuen
Mr. HUANG Chuan Fu
Mr. LI Sui Yang (appointed on 16 December 2011)
Mr. CHAN Kin Sang (ceased to be member on 16 December 2011)

AUDITOR

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

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL OFFICE

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West Tower Shun Tak Centre
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Sheung Wan
Hong Kong

COMPANY'S WEBSITE

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

STOCK CODE

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LETTER FROM THE BOARD

On behalf of the board of directors (the "Board") of Pacific Plywood Holdings Limited (the "Company"), I have the pleasure to report on the financial results, operations and other aspects of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

For the purpose of this annual report, foreign currency dominated in the United States dollars ("USD") as at 31 December 2010 and for the year ended 31 December 2010 have been translated into Hong Kong dollars ("HK$") at the applicable rates of exchange prevailing.

FINANCIAL RESULTS

For the year ended 31 December 2011, the Group recorded a loss for the year of HK$144,959,000 (2010: profit of HK$76,295,000), the basic and diluted loss per share were HK$0.40 per share and HK$0.40 per share (2010: earnings of HK$2.11 per share and earnings of HK$1.79 per share) respectively.

As at 31 December 2011, the consolidated net assets of the Group was HK$410,111,000 (31 December 2010: net assets of HK$91,535,000).

DIVIDEND

No dividend for the year ended 31 December 2011 (2010: nil) is recommended by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and through its subsidiaries is principally engaged in the business of money lending, provision of credits, securities investments, and provision of corporate secretarial and consultancy services. Since 2010, the Group has conducted a series of business restructuring including (i) the acquisition of 51% share interest of Delta Wealth Finance Limited ("Delta Wealth") as announced by the Company on 24 September 2010 to commence the money lending and provision of credits business; (ii) the disposal of loss making plywood business as announced by the Company on 29 October 2010; (iii) the establishment of a wholly-owned subsidiary of the Company, namely Joy Wealth Finance Limited ("Joy Wealth"), to further expand its money lending and provision of credits business by utilizing the business experience and network of Delta Wealth; (iv) the establishment of a wholly-owned subsidiary of the Company, namely Pacific Vision Advisory Services Limited ("Pacific Vision"), to expand its business to provision of corporate secretarial and consultancy services as announced by the Company on 7 October 2011; (v) the disposal of 51% share interest of Delta Wealth as announced by the Company on 13 October 2011; and (vi) the proposed acquisition of 30% share interest of Profit Grand Enterprises Limited ("Profit Grand") as announced by the Company on 2 December 2011 in relation to the acquisition of a forest in the Vabari Timber Authority Area in the Independent State of Papua New Guinea with the size of approximately 65,800 hectares (the "Forest"). The Board believes that it is in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole to re-allocate the management and the Group's financial resources to more promising businesses.

Money lending and provision of credits business

During the year ended 31 December 2011, the Group has been actively expanding its money lending and provision of credits business and has established Joy Wealth, which obtained the Money Lenders License under the Money Lenders Ordinance of Hong Kong in the first half of the year 2011. Joy Wealth has successfully achieved remarkable results during the year ended 31 December 2011. As at the date of this report, Joy Wealth has provided a wide variety of loans with an accumulated amount of over HK$540,000,000. The interest rates of these loans range from 8% to 48% per annum and the terms of these loans range from two weeks to one year. Existing client portfolio comprises of individuals, small-medium enterprises and listed companies from Hong Kong, Macau, Taiwan and Mainland China. Details of some of the loans made by the Group which constituted notifiable transactions to the Company under the Listing Rules have been set out in the published announcements and circulars of the Company. In light of the fast growing business and the sake of the recoverability and the quality of the loan receivables, a majority of the loan receivables of Joy Wealth are secured either by collaterals or guarantees. As at 31 December 2011, the loan receivables of the Group increased to approximately HK$273,221,000 (31 December 2010: HK$145,752,000). As at 31 December 2011, an impairment loss in respect of loan receivables amounting

HK$145,171,000 (2010: nil) was made as at the date of this report which was an utmost prudence approach and a strict compliance with the applicable accounting standards in accordance with procedure manual for credit facilities reviewed by Big 4 Accounting Firm. There was no conclusive evidence that came to the attention of the Company that these corresponding borrowers were in significant financial difficulty and that they were unable to repay their outstanding amount because they had repaid the amounts mutually agreed with the Company as at the date of this report.

Delta Wealth was disposed of and ceased to be a subsidiary of the Company during the year ended 31 December 2011 for the reasons of (i) other shareholders of Delta Wealth expressed their concerns on the business operation of Delta Wealth as complying with Rules 13.13 and 13.15 of the Listing Rules requires disclosure on the identity of the borrower and the interest rates charged on the loans, which will reveal highly confidential information to Delta Wealth's competitors; (ii) Delta Wealth is not a wholly-owned subsidiary of the Company; and (iii) the Company has successfully conducted business of money lending and provision of credits through Joy Wealth since April 2011. The disposal of Delta Wealth was completed on 22 December 2011.

Securities investments

During the year ended 31 December 2011, the Group has invested in Simsen International Corporation Limited ("Simsen") as a strategic investment with the intention to utilize the platform provided by Simsen to further promote the finance business of Joy Wealth.

Provision of corporate secretarial and consultancy services

The Company has set up a wholly-owned subsidiary, Pacific Vision, and recruited a team of professionals in the areas of accounting, finance and company secretaries providing corporate services to its corporate clients which include listed companies in Hong Kong. The corporate services divide into two divisions. The first one is corporate consultancy business which focuses on provision of advice to corporations in areas such as corporate governance, internal control, enterprise risk management and other operational aspects with a view to enhance corporate efficiency, performance and enterprise value. The other one can generally be described as back office administration, which includes company secretarial service for private and listed companies, human resource management and administrative services, accounting and tax services including accounting system setup and support, bookkeeping, budgeting and forecast, payroll services, tax return preparation, and financial statements preparation.

OUTLOOK

In prospect of the appearance where the policy makers of the People's Republic of China (the "PRC") will continue to conduct tough control on the monetary policies to adjust the economic overheat and inflation, which will raise the hurdle for individuals and companies to borrow money from banks, the Board expects that there would be a persistently increasing demand on the money lending and provision of credits business (e.g. personal loans and corporate loans from the Hong Kong general public).

Under the recent downturn of the global stock markets, the Directors are of the opinion that the Company shall identify securities investments opportunities with a prudence approach. The Group will continue to identify any securities investments carrying high potential to generate profit.

In view of increasing number of companies getting listed in Hong Kong as well as merger and acquisition activities, the Directors believe that the business of provision of corporate secretarial and consultancy services will grow gradually in the future.

The Group will continue to explore and analyse potential projects with promising prospects in the future, and to identify opportunities and ways to strengthen the business and to enhance the financial performance of the Group.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2011, the Group recorded net current assets of approximately HK$364,738,000 (31 December 2010: HK$86,509,000); bank balances and cash of approximately HK$78,781,000 (31 December 2010: HK$63,137,000); unguaranteed and unsecured borrowings of HK$10,000,000 (31 December 2010: HK$35,764,000). All borrowings were made in HK$ and the Group did not enter into any financial instruments for hedging purpose.

Capital structure

During the year ended 31 December 2011

On 10 January 2011, upon the completion of the share consolidation on the basis of every twenty-five issued and unissued shares with the par value of HK$0.001 each to be consolidated to one consolidated share of HK$0.025 each and the change in board lot size, the total number of issued ordinary shares of the Company was consolidated from 1,926,819,448 with the par value of HK$0.001 each to 77,072,777 with the par value of HK$0.025 each. The conversion price of the convertible notes with the principal amount of HK$48,000,000 was adjusted from HK$0.16 to HK$4.00 per conversion share.

On 21 January 2011, the Company entered into a placing agreement with a placing agent to issue 15,400,000 new ordinary shares at a price of HK$0.73 per placing share. On 24 January 2011, the Company entered into a supplemental agreement with the placing agent to revise the placing price to HK$0.74 per placing share. Such placing of shares was completed on 1 February 2011 and the total number of issued ordinary shares became 92,472,777 with the par value of HK$0.025 each.

On 8 March 2011, the Company announced a rights issue on the basis of thirty rights shares for every one share held on the record date of 26 April 2011 at the subscription price of HK$0.08 per rights share. Upon the completion of the rights issue in May 2011, the total number of issued ordinary shares became 2,866,656,087 with the par value of HK$0.025 each.

On 8 March 2011, the Company entered into a placing agreement with a placing agent to issue placing convertible notes with an aggregate principal amount of HK$100,000,000. The conversion price of the placing convertible notes was adjusted to HK$0.082 per conversion share convertible into 1,219,512,192 new ordinary shares as the result of the aforesaid rights issue. The placing was completed on 18 May 2011 and the placing convertible notes were then fully converted into ordinary shares. The total number of issued ordinary shares became 4,086,168,279 with the par value of HK$0.025 each.

Following the aforementioned rights issue and placing of placing convertible notes, the board lot size of the shares of the Company changed from 2,000 shares to 40,000 shares with effect from 27 April 2011, and the conversion price of the convertible notes with the principal amount of HK$48,000,000 was adjusted to HK$0.274 per conversion share on 18 May 2011 when the rights issue became unconditional.

On 18 October 2011, the Company entered into a share placing agreement with a share placing agent to issue 817,233,655 new ordinary shares at a price of HK$0.032 per placing share. Such share placing was completed on 3 November 2011 and the total number of issued ordinary shares became 4,903,401,934 with the par value of HK$0.025 each.

On 18 October 2011, the Board proposed the increase in authorised share capital of the Company from HK$200,000,000 divided into 8,000,000,000 shares, to HK$400,000,000 divided into 16,000,000,000 shares, by the creation of an additional 8,000,000,000 shares. The resolutions in relation to the increase in authorised share capital were duly approved by the shareholders of the Company (the "Shareholders") on a special general meeting of the Company on 24 November 2011.

On 18 October 2011, the Company entered into a share subscription agreement with a subscriber to issue 1,800,000,000 new ordinary shares at a price of HK$0.025 per subscription share. Such share subscription was completed on 24 November 2011 and the total number of issued ordinary shares became 6,703,401,934 with the par value of HK$0.025 each.

On 18 October 2011, the Company entered into a convertible notes placing agreement with a placing agent to issue placing convertible notes with an aggregate principal amount of HK$89,600,000 and a placing conversion price of HK$0.028 per conversion share. This placing was completed on 29 November 2011 and on the same day fully converted into 3,200,000,000 ordinary shares. The total number of issued ordinary shares became 9,903,401,934 with the par value of HK$0.025 each.

On 2 December 2011, the Company entered into a strategic cooperation agreement, under which the Company conditionally agreed to but as at 31 December 2011 did not yet, subject to fulfillment of the conditions precedent thereunder, grant to China Longjiang Forest Industry (Group) General Corporation an option to subscribe for not more than 5% of the issued share capital of the Company as at the date of the strategic cooperation agreement, equivalent to 495,170,096 ordinary shares. Details of the strategic cooperation agreement have been disclosed in the circular of the Company dated 29 February 2012.

On 2 December 2011, the Company entered into an agent agreement, under which the Company conditionally agreed to but as at 31 December 2011 did not yet, subject to fulfillment of the conditions precedent thereunder, grant to Jia Run Investments Limited an option to subscribe for not more than 5% of the issued share capital of the Company as at the date of the agent agreement, equivalent to 495,170,096 ordinary shares. Details of the agent agreement have been disclosed in the circular of the Company dated 29 February 2012.

On 2 December 2011, the Company entered into an agreement in relation to the acquisition of 30% share interest of Profit Grand Enterprises Limited ("Profit Grand") at a consideration of HK$310,000,000, which shall be satisfied as to (i) HK$27,000,000 by payment in cash; (ii) HK$33,000,000 by procuring the issue of convertible bonds by the Company to the vendors; and (iii) the remaining HK$250,000,000, at the option of the purchaser which is a wholly-owned subsidiary of the Company, either by way of payment in cash or by procuring the Company to issue the promissory note to the vendors, or a combination of both. As at 31 December 2011 the Company did not yet issue the said convertible bonds or promissory note. Details of the agreement have been disclosed in the circular of the Company dated 29 February 2012.

On 22 December 2011, upon the completion of the disposal of Delta Wealth, the convertible notes with principal amount of HK$48,000,000 issued by the Company was cancelled pursuant to a sale and purchase agreement, details of the sale and purchase agreement have been disclosed in the circular of the Company dated 31 October 2011.

As at 31 December 2011, the Company had a total number of issued ordinary shares of 9,903,401,934 shares with the par value of HK$0.025 each.

Subsequent to the financial year ended 31 December 2011

On 19 March 2012, the Shareholders approved the resolutions in relation to the proposed capital reorganization on a special general meeting of the Company, pursuant to which with effect from 20 March 2012, the authorised share capital of the Company was reorganised into HK$400,000,000 divided into 40,000,000,000 shares with par value of HK$0.01 each, and the amount of issued share capital of the Company on 20 March 2012 was reorganised into HK$9,903,401.93 divided into 990,340,193 new shares with par value of HK$0.01 each. Details of the capital reorganization have been set out in the circular of the Company dated 23 February 2012.

Significant investment

On 27 May 2011, the Company announced that it acquired 100,000,000 ordinary shares, representing 7.70% of the issued share capital of Simsen at HK$0.20 per share with a total consideration of HK$20,000,000. Simsen is a company incorporated in Bermuda with limited liability and its shares are listed on the main board of the Stock Exchange. It is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment holding, brokerage and dealing of bullion and forex contracts, and provision of management and consultancy services. The Directors considered that the securities and financial services industry is a promising industry and the Company will be benefited from the possible business synergy with Simsen in exploring any finance business development opportunities.

On 15 June 2011, the Company announced that it would fully accept the provisional allotment of the rights shares under the Simsen rights issue on the basis of twenty rights shares for every existing share held on the record date of 19 July 2011 at HK$0.03 per rights share, and with bonus warrants on the basis of one bonus warrant for every five rights shares taken up under the Simsen rights issue, each of which entitles the holders to subscribe for one Simsen share at the exercise price of HK$0.03. The total consideration of the full acceptance of the provisional allotment was HK$60,000,000. The dealings in fully-paid Simsen rights shares and bonus warrants commenced on 22 August 2011. As at the date of this report, 2,000,000,000 rights shares are provisionally allotted and 400,000,000 bonus warrants are granted to the Group.

The change in fair value of Simsen has been reflected in the Consolidate Statement of Comprehensive Income. As at the date of this report, Simsen is yet to be disposed of because it is regarded as a long term strategic investment for the sake of the business development of the Group.

Save for disclosed above, there was no significant investment that should be notified to the Shareholders for the year ended 31 December 2011.

Material acquisition and disposal

On 13 October 2011, the Group entered into a sale and purchase agreement to dispose of 51% of the entire share capital of Delta Wealth at a consideration of HK$52,000,000. The disposal was completed on 22 December 2011. Details of the disposal have been disclosed in the circular of the Company dated 31 October 2011.

On 2 December 2011, the Group entered into a sale and purchase agreement pursuant to which the Group conditionally agreed to acquire 30% share interest of Profit Grand which holds a wholly-owned subsidiary incorporated in the Independent State of Papua New Guinea ("PNG") engaging in the course of obtaining the logging concession with respect to the forest in PNG, at a consideration of HK$310,000,000. Details of the acquisition have been set out in the circular of the Company dated 29 February 2012. Completion has not yet taken place as at the date of this report.

Save for disclosed above, there was no significant acquisition or disposal that should be notified to Shareholders for the year ended 31 December 2011.

Segment information

Details of segment information of the Group for the year ended 31 December 2011 are set out in note 9 to the consolidated financial statements.

Employees

As at 31 December 2011, the Group had 19 staff. In-house training programs were provided for staff to enhance skills and job knowledge. Management would continue to foster close co-operation with the staff.

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

Details of charges on assets

As at 31 December 2011, the Group did not pledge any assets to banks or other financial institutions nor did the Group have any corporate guarantee given to any entity (31 December 2010: nil).

Future plans for material investment or capital assets

Upon the completion of the disposal of the loss-making plywood in December 2010, the Group's principal business changed from plywood business to money lending and provision of credits business and has adopted securities investments and provision of corporate secretarial and consultancy services as a business activity to the Group in May 2011 and October 2011 respectively. During the year ended 31 December 2011, the Group was exploring ways to improve the financial performance of the Group, to diversify the Group's operations into new and more profitable businesses and to broaden the source of revenue. Although the Group disposed of the loss-making plywood business in December 2010, the Group was trying to continue with the plywood-related business by sourcing business opportunities in relation to the upstream plywood business (i.e. the forestry business). Consequently, on 2 December 2011, as mentioned before in "material acquisition and disposal" the Group entered a sale and purchase agreement to propose to acquire 30% share interest of Profit Grand which is in line with the corporate strategy of the Group and represents a strategic move for the Group to re-enter into the plywood-related business.

Meanwhile on 2 December 2011, the Directors are of the view that China Longjiang Forest Industry (Group) General Corporation will be able to deploy a qualified team to the forest in the project area and provide such advice and assistance as the Group may from time to time require in the development and management thereof, after completing this proposed acquisition. Details of this acquisition have been disclosed in the circular of the Company on dated 29 February 2012.

Save for the above possible investment in the upstream plywood business, as at the date of this report, the Company has not entered into any agreement, arrangement, understanding, intention or negotiation about acquiring of any new business. The Board will continue to explore ways to improve the financial performance of the Group, to diversify the Group's operations into new and more profitable businesses and to broaden the source of revenue should opportunity arises.

Up to the date of this report, the Directors are actively discussing with several financial institutions for fund raising proposals to raise additional capital to (i) satisfy part of the consideration of the acquisition of Profit Grand; (ii) further expand the existing businesses of the Group (including the business resulting from the acquisition of Profit Grand); (iii) improve the gearing position of the Group; and (iv) finance the investment opportunities identified/to be identified by the Group (including but not limited to the possible acquisition of further equity interest in Profit Grand by exercising an option). Based on the fund raising proposals received by the Directors, it is possible that the Company may conduct a placing of new shares under its general mandate and/or a rights issue with scale and size similar to the rights issue completed by the Company in May 2011 (further details of which have been disclosed in the announcement, circular and prospectus of the Company dated 8 March 2011, 28 March 2011 and 27 April 2011 respectively).

Treasury policy

The Group has adopted a treasury policy on 24 May 2011 in relation to the securities investments of the Group to invest in securities of other listed companies on the Stock Exchange. The objective of the policy is to enable the Group to control and govern the possible future securities investments (if any, which may or may not occur).

Working capital and gearing ratio

The gearing ratios of the Group as at 31 December 2011 and 2010 were as follow:

	As at 31 December	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Convertible notes	**—**	42,922
Amounts due to directors	**152**	—
Other borrowings	**10,000**	35,764
Loans from shareholders of a subsidiary	**—**	48,046
Less: Bank balances and cash	**(78,781)**	(63,137)
Net debt	**(68,629)**	63,595
Total equity	**410,111**	91,535
Total capital	**341,482**	155,130
Gearing ratio (net debt to total capital)	**(20%)**	41%

Due to fund raising exercises and the disposal of a subsidiary with loans from shareholders during the year ended 31 December 2011, the gearing ratio of the Group decreased to negative 20%.

Foreign exchange exposure

The Group mainly earns revenue and incurs cost in HK$ and is not subject to foreign exchange risk. In addition, the Group had no any related hedges as at 31 December 2011.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

APPRECIATION

On behalf of the Board, I would like to convey its sincere gratitude to our employees for their diligence and contributions to the Group. I would also like to acknowledge the continual support of our shareholders during the year of 2011.

For and on behalf of the Board
Ng Kwok Fai
Chairman

Hong Kong, 30 March 2012

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ng Kwok Fai, chairman, aged 40, joined the Group since 24 November 2011. He is also the director of one subsidiary of the Company. He has extensive experience in the financial markets of Hong Kong and the PRC and is mainly responsible for providing advice to a wide spectrum of clients, including private and institutional investors, Hong Kong listed companies and the PRC enterprises, in a comprehensive approach. He has originated and handled numerous corporate transactions throughout the Asia-Pacific region. Such includes securities dealing, investment portfolio management and accounting and financial advisory. His insight and acumen in these areas, along with his substantial experience in international business development, has aptly assisted the management of his clients in the oversight of their companies' businesses. He also has in-depth knowledge in due diligence review and internal control advisory which provides him with the expertise in corporate governance. He is a member of the American Institute of Certified Public Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Chartered Secretaries, and a member of the Institute of Chartered Secretaries and Administrators. He also acts as an independent non-executive director of China Information Technology Development Limited which is a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Huang Chuan Fu, deputy chairman, aged 38, joined the Group since 13 April 2010. He is also the director of eight subsidiaries of the Company. He has around 10 years of working experience. He was the vice president of Nanping Wang Jia Wood Bamboo & Wood Industry Co., Ltd from 2002 to 2005.

Mr. Liang Jian Hua, aged 42, joined the Group since 29 April 2010. He is also a director of one subsidiary of the Company. He has around 18 years of working experience in trading and property investment. Currently, he is the vice president of Zhejiang Shunfeng Steel Co., Ltd.

Ms. Jia Hui, aged 44, joined the Group since 13 April 2010. She has around 20 years of working experience in area of merchandising and project management. Since 2003, she has been appointed as the business development manager of Beijing International Trade Corporation.

Mr. Jiang Yi Ren, aged 45, joined the Group since 29 April 2010. He has around 20 years of working experience in area of manufacturing and property investment. Currently, he is the vice president of Wenling City Zhong Fa Precision Steel Parts Co., Ltd.

NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Sang, aged 61, is currently the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitor and Notaries. He was appointed as an independent non-executive director of the Company on 22 April 2010 and was re-designated as an non-executive Director on 16 December 2011. He has been a practicing solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Law degree in 1979. He was admitted as a Notary Public in 1997 and as a China-appointed Attesting Officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan currently acts as an independent non-executive director of two listed companies in the Singapore, namely People's Food Holdings Limited and Luxking Group Holdings Limited. Mr. Chan also acts as independent non-executive director of three Hong Kong listed companies, namely China Precious Metal Resources Holdings Co., Limited, International Taifeng Holdings Limited and Ming Kei Holdings Limited. Mr. Chan is also a non-executive director of Pan Hong Property Group Limited which is listed in Singapore, United Pacific Industries Limited and Combest Holdings Limited which are listed in Hong Kong. He is also an alternate director of Zhongda International Holdings Limited which is listed in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Hung, aged 39, graduated from Hong Kong Baptist University with an honors degree in accounting in 1995. He joined the Group since 22 April 2010. He is an associate of the Hong Kong Institute of Certified Public Accountants and has over 10 years' experience in accounting, auditing and consulting. Since November 2005, he has been the managing director of B&C Finance and Corporate Advisory Limited. Moreover, he was a financial controller of General Nice Group and its associate Abterra Limited, which is a listed company in Singapore until April 2011. He was also the independent non-executive director of two listed companies in Hong Kong, namely Bao Yuan Holdings Limited and Tech Pro Technology Development Limited, until 30 June 2011 and 7 January 2011, respectively.

Mr. Cheng Po Yuen, aged 36, holds a Bachelor of Business Administration degree, majoring in accounting. He joined the Group since 24 November 2010. He is a practicing accountant in Hong Kong and is a member of The Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and The Taxation Institute of Hong Kong. He has over 10 years of experience in auditing, accounting and finance.

Mr. Li Sui Yang, aged 54, holds a master degree in economic administration from North-West China University. He joined the Group since 16 December 2011. Prior to that, he was a lecturer at Xi'an Statistics College. He also has vast experience in the retail, real estate and electronics industry in the PRC. He is currently the Chairman of Jian ePayment Systems Limited.

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

FINANCIAL SUMMARY

INCOME STATEMENT

The following is a summary of the audited consolidated results of the Group for the respective years as hereunder stated.

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**53,369**	4,385	—	734,681	850,605
Profit/(loss) attributable to the owners of the Company	**(134,081)**	75,914	(75,996)	(282,776)	9,896
Dividends	**—**	—	—	—	—

STATEMENT OF FINANCIAL POSITION

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

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Property, plant and equipment	**173**	35	408,560	503,146	598,957
Interests in an associate	**—**	—	5,468	7,603	—
Deferred tax assets	**—**	—	37,692	37,257	39,153
Deposit for acquisition of an investment	**20,000**	—	—	7,751	11,697
Loan receivables	**273,221**	145,752	—	—	—
Available-for-sale financial assets	**25,200**	—	—	—	—
Other current assets	**102,989**	82,281	80,774	152,175	357,495
Current liabilities	**(11,472)**	(136,533)	(627,907)	(706,963)	(344,956)
Non-current borrowings	**—**	—	(109)	(907)	(377,567)
Representing:					
Share capital	**247,585**	1,927	33,194	33,194	33,194
Reserves	**162,526**	85,221	(136,466)	(40,882)	243,835
Non- controlling interests	**—**	4,387	7,750	7,750	7,750
Shareholders' equity / (deficit)	**410,111**	91,535	(95,522)	62	284,779

CORPORATE GOVERNANCE REPORT

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

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

THE BOARD

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

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

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in page 10 and 11 of this report, which demonstrates a diversity of skills, expertise, experience and qualifications. The Company has received from each independent non-executive Director annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

The number of Board meetings held during the year ended 31 December 2011 and the directors' respective attendance record are summarized as follows:

	Number of board meetings attended (53 board meetings in total)
Executive Directors	
Mr. NG Kwok Fai, *Chairman* (appointed on 24 November 2011)	8
Mr. HUANG Chuan Fu, *Deputy Chairman*	53
Mr. LIANG Jian Hua	52
Ms. JIA Hui	51
Mr. JIANG Yi Ren	51
Non-executive Director	
Mr. CHAN Kin Sang (re-designated on 16 December 2011)	51
Independent Non-executive Directors	
Mr. WONG Chun Hung	50
Mr. LI Sui Yang (appointed on 16 December 2011)	3
Mr. CHENG Po Yuen	52

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

DEVIATION FROM CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the CG Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011, with deviations from code provision A.4.1 and E.1.2.

CG CODE PROVISION A.4.1

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

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

CG CODE PROVISION E.1.2

Under the CG Code provision E.1.2, the chairman of the Board should attend AGM. Due to certain personal matters, Mr. Liang Jian Hua, being the chairman of the Board at the time of the 2011 AGM, did not attend the 2011 AGM. However, Mr. Huang Chuan Fu, the deputy chairman of the Board, attended the 2011 AGM to answer questions raised by the Shareholders.

CODE OF CONDUCT ON THE DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for securities transactions and dealings (Model Code). All existing directors of the Company, upon specific enquiry, have confirmed that they have complied with the Model Code during the year ended 31 December 2011.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") was duly constituted on 29 June 2005 and comprises of an executive Director, Mr. Huang Chuan Fu and three independent non-executive Directors, Mr. Wong Chun Hung (Chairman), Mr. Cheng Po Yuen and Mr. Li Sui Yang (appointed on the 16 December 2011). Mr. Chan Kin Sang was re-designated as a non-executive director and ceased to be a member of this committee on 16 December 2011.

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

The number of Remuneration Committee meetings held during the year ended 31 December 2011 and the Remuneration Committee members' respective attendance records are summarized as follows:

	Number of meetings attended (1 meeting in total)
Mr. WONG Chun Hung, *Chairman*	1
Mr. CHENG Po Yuen	1
Mr. HUANG Chuan Fu	1
Mr. LI Sui Yang (appointed on 16 December 2011)	0
Mr. CHAN Kin Sang (ceased to be member on 16 December 2011)	1

NOMINATION OF DIRECTORS

During the year ended 31 December 2011, the Board met to discuss the nomination of directors when circumstances are required. Upon receipt of a nomination from the members of the Board, a Board meeting was convened to consider and discuss the nomination. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules were assessed to determine if the nomination was suitable.

On 13 February 2012, a Nomination Committee was established with specific terms of reference to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer. Mr. Cheng Po Yuen was appointed as the chairman and Mr. Li Sui Yang and Mr. Wong Chun Hung were appointed as members.

AUDITOR'S REMUNERATION

During the year ended 31 December 2011, the Group engaged SHINEWING (HK) CPA Limited to perform audit and audit related services at a fee of approximately HK$600,000 and of HK$100,000 for non-audit services.

AUDIT COMMITTEE

On 16 December 2011, Mr. Li Sui Yang was appointed as member of the audit committee of the Company (the "Audit Committee"), while Mr. Chan Kin Sang had ceased to be a member of the Audit Committee on the same date since his re-designation as non-executive Director.

The number of Audit Committee meetings held during the year ended 31 December 2011 and the committee members' respective attendance records are summarized as follows:

	Number of meetings attended (3 meetings in total)
Mr. WONG Chun Hung, *Chairman*	3
Mr. CHENG Po Yuen	3
Mr. LI Sui Yang (appointed on 16 December 2011)	0
Mr. CHAN Kin Sang (ceased to be member on 16 December 2011)	3

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

The main duties of the Audit Committee are as follows:

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

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

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

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

   - Any changes in accounting policies and practices;
   - Significant adjustment resulting from audit;
   - The going concern assumption;
   - Significant and unusual events; and
   - Compliance with accounting standards or any other legal requirements;

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

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

During the year ended 31 December 2011, the Audit Committee met to review the annual financial statements for the year ended 31 December 2010 and the interim financial information for the six months ended 30 June 2011. In December 2011, the Audit Committee communicated with the external auditor of the Company through telephone conference to discuss their audit plan for 2011 annual audit.

The Audit Committee has discussed and reviewed with management the consolidated financial statements for the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITY FOR THE GROUP'S FINANCIAL REPORTING

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

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

INTERNAL CONTROLS

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

COMMUNICATION WITH SHAREHOLDERS

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

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") submit their report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 39 to the accompanying consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on pages 26 to 27.

The Directors do not recommend the payment of dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year ended 31 December 2011 are set out in note 37 to the accompanying consolidated financial statements.

DONATIONS

There was no charitable or other donation made by the Group during the year ended 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2011 are set out in note 19 to the accompanying consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of the movements in share capital and convertible notes of the Company during the year ended 31 December 2011 are set out in note 36 and 33 respectively to the accompanying consolidated financial statements.

DISTRIBUTABLE RESERVES

Movements in the distributable reserves of the Group and the Company during the year ended 31 December 2011 are set out in note 37 and 38 to the accompanying consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2011 is set out on page 12 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased or redeemed any of the Company's shares during the year. As at 31 December 2011, 9,903,401,934 ordinary shares with a par value of HK$0.025 each were in issue. Details are set out in the "Capital structure" section in page 5 to page 6 of this report and note 36 to the accompanying consolidated financial statements.

SHARE OPTIONS

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

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

During the special general meeting on 9 April 2011, the shareholders of the Company duly approved to refresh the 10 percent general limit under the Scheme, to authorize the Directors or an authorized committee at its/their absolute discretion, to grant options to subscribe for shares of the Company in accordance with the rules of the Scheme and to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Scheme (the "Refreshment"). The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time and in addition, 10% of the numbers of shares in issue at the date of approval of the Refreshment. No share option was outstanding as at 31 December 2011 and no share option has been granted during the year ended 31 December 2011.

DIRECTORS

The Directors who held office during the year ended 31 December 2011 and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. NG Kwok Fai, *Chairman* (appointed as executive director and Chairman on 24 November 2011)
Mr. HUANG Chuan Fu, *Deputy Chairman*
Ms. JIA Hui
Mr. JIANG Yi Ren
Mr. LIANG Jian Hua

NON-EXECUTIVE DIRECTOR

Mr. CHAN Kin Sang (re-designated on 16 December 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chun Hung
Mr. CHENG Po Yuen
Mr. LI Sui Yang (appointed on 16 December 2011)

REPORT OF THE DIRECTORS

In accordance with Bye-law 99 of the Company's Bye-laws and CG Code Provision A.4 under Appendix 14 to the Listing Rules, Mr. Liang Jian Hua, Mr. Jiang Yi Ren, and Mr. Chan Kin Sang will retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election. In accordance with Bye-law 102(B), Mr. Ng Kwok Fai, and Mr. Li Sui Yang will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

Mr. Ng Kwok Fai, prior to the appointment as the chairman and executive director of the Company, entered into a consultancy service agreement dated 13 April 2010 with the Company, pursuant to which Mr. Ng Kwok Fai agreed to provide all advisory and consultancy services as may be required by the Company, introduce potential projects to the Company, provide assistance on liaising with the Stock Exchange and management of cashflow of the Company, for a fee equivalent to 3% of the total consideration of any successful acquisition introduced by Mr. Ng Kwok Fai. This service contract was terminated on 24 November 2011.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Brief biographical details of the Directors and Senior Management are set out on pages 10 and 11 of this annual report.

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

At 31 December 2011, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XIV the Securities and Futures Ordinance ("SFO")), which are required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Division 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of the Company contained in the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

	Personal Interest	Corporate Interest	Trust Interest	Total	% of Total Shares Outstanding
Mr. Ng Kwok Fai	0	1,800,000,000	0	1,800,000,000	18.18

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2011, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares interested	Percentage of the Company's issued share capital (%)
Su Weibiao	Held by controlled corporation	1,942,000,000	19.61
Allied Summit Inc. *(Note 1)*	Beneficial owner	1,800,000,000	18.18
Ng Kwok Fai	Held by controlled corporation	1,800,000,000	18.18

Notes:

1. Allied Summit Inc. is owned as to 80% by Mr. Su Weibiao ("Mr. Su") and as to the remaining 20% by Mr. Ng Kwok Fai ("Mr. Ng"). In addition, Mr. Su is interested in 142,000,000 shares personally.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, the aggregate amount of revenue attributable to the Group's five largest customers and the largest customer represented approximately 54% and 20% respectively of the Group's total revenue.

During the year ended 31 December 2011, the aggregate amount of supplies attributable to the Group's five largest suppliers and the largest supplier represented approximately 73% and 24% respectively of the Group's total supplies.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year ended 31 December 2011 was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

On 18 May 2011, pursuant to the terms and conditions of the convertible bonds and the approval obtained from independent Shareholders at the special general meeting of the Company dated 6 May 2011, the conversion price of a convertible bonds in the principal amount of HK$48,000,000 was adjusted from HK$4.00 per conversion share to HK$0.274 per conversion share upon the rights issue became unconditional on 18 May 2011. Details of the transaction were disclosed in the circular of the Company on 18 April 2011 according to Chapter 14A of the Listing Rule.

On 13 October 2011, the Company and Best Harvest Asia Limited ("Best Harvest") has entered into a sale and purchase agreement in relation to the disposal of the 51% share interest of Delta Wealth Finance Limited ("Delta Wealth") and the sale loan (which were acquired and completed on 18 October 2011 at a consideration of HK$52,000,000) at the consideration of HK$52,000,000. Pursuant to the terms and conditions of the sale and purchase agreement and the approval obtained from independent shareholders of the Company at the special general meeting of the Company dated 15 November 2011, the disposal was completed on 22 December 2011. Details of the transaction were disclosed in the circular of the Company dated 31 October 2011 according to Chapter 14A of the Listing Rule.

The related party transaction as disclosed in Note 47 to the Financial Statements does not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rule. No disclosure requirement is needed accordingly.

DISCONTINUED OPERATIONS

Details are set out in note 13 to the accompanying consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Board confirms that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2011.

AUDITOR

The Company's financial statements for the year ended 31 December 2009 were audited by PricewaterhouseCoopers. SHINEWING (HK) CPA Limited was appointed as auditor of the Company on 18 June 2010 in succession to PricewaterhouseCoopers, who resigned from the office with effect from 18 June 2010. The Company's financial statements for the year ended 31 December 2010 and 31 December 2011 were audited by SHINEWING (HK) CPA Limited.

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

On behalf of the Board

Ng Kwok Fai
Chairman
Hong Kong, 30 March 2012

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

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

We have audited the consolidated financial statements of Pacific Plywood Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 98 which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

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

Hong Kong
30 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Revenue	*8*	**53,369**	4,385
Interest income	*8*	**52,958**	4,369
Interest expenses	*10*	**(2,652)**	(855)
Net interest income		**50,306**	3,514
Other income and gains	*11*	**419**	3,623
Change in fair value of convertible notes	*33*	**(5,078)**	11,350
Change in fair value of a derivative financial asset		**24,371**	(1,454)
Change in fair value of investment held for trading		**(1,231)**	—
Gain on disposal of a subsidiary	*43*	**11,199**	—
Impairment loss on available-for-sale financial assets	*24*	**(54,990)**	—
Impairment loss recognised in respect of loan receivables	*22*	**(145,171)**	—
Selling and distribution expenses		**(3,692)**	(1,360)
Administrative expenses		**(18,446)**	(10,386)
(Loss) profit before taxation		**(142,313)**	5,287
Income tax expense	*12*	**(2,646)**	(148)
(Loss) profit for the year from continuing operations	*14*	**(144,959)**	5,139
Discontinued operations			
Profit for the year from discontinued operations	*13*	**—**	71,156
(Loss) profit for the year		**(144,959)**	76,295

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) profit for the year attributable to:			
Owners of the Company			
From continuing operations		**(134,081)**	4,758
From discontinued operations		**—**	71,156
		(134,081)	75,914
Non-controlling interests			
From continuing operations		**(10,878)**	381
From discontinued operations		**—**	—
		(10,878)	381
		(144,959)	76,295
(Loss) earnings per share	*18*		
From continuing and discontinued operations			
Basic		**HK$(0.40)**	HK$2.11
Diluted		**HK$(0.40)**	HK$1.79
From continuing operations			
Basic		**HK$(0.40)**	HK$0.13
Diluted		**HK$(0.40)**	HK$(0.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
		(Restated)
(Loss) profit for the year	**(144,959)**	76,295
Other comprehensive (expense) income		
Exchange differences arising on translation	**—**	4,836
Available-for-sale financial assets:		
— Change in fair value of available-for-sale financial assets	**(54,990)**	—
— Reclassification adjustment on available-for-sale financial assets upon impairment	**54,990**	—
Other comprehensive income for the year	**—**	4,836
Total comprehensive (expenses) income for the year	**(144,959)**	81,131
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**(134,081)**	80,750
Non-controlling interests	**(10,878)**	381
	(144,959)	81,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	19	**173**	35	408,560
Interest in an associate	20	**—**	—	5,468
Deferred tax assets	21	**—**	—	37,692
Loan receivables	22	**—**	4,991	—
Investment deposits	23	**20,000**	—	—
Available-for-sale financial assets	24	**25,200**	—	—
		45,373	5,026	451,720
Current assets				
Inventories	25	**—**	—	59,190
Loan receivables	22	**273,221**	140,761	—
Trade and other receivables	26	**6,288**	10,734	13,518
Investment held for trading	27	**13,920**	—	—
Derivative financial asset	28	**4,000**	8,410	—
Bank balances and cash	29	**78,781**	63,137	8,066
		376,210	223,042	80,774
Current liabilities				
Trade and other payables	30	**1,253**	8,982	108,870
Obligation under finance leases	31	**—**	—	799
Amounts due to directors	32	**152**	—	—
Convertible notes	33	**—**	42,922	—
Bank overdrafts	34	**—**	—	22,313
Borrowings	34	**10,000**	35,764	495,165
Tax liabilities		**67**	819	760
Loans from shareholders of a subsidiary	35	**—**	48,046	—
		11,472	136,533	627,907
Net current assets (liabilities)		**364,738**	86,509	(547,133)
Total assets less current liabilities		**410,111**	91,535	(95,413)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**31/12/2011** **HK$'000**	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Capital and reserves				
Share capital	*36*	**247,585**	1,927	33,194
Share premium		**340,037**	128,651	59,302
Other reserves	*37*	**(160)**	(160)	18,174
Accumulated losses		**(177,351)**	(43,270)	(213,942)
Equity (deficit) attributable to owners of the Company		**410,111**	87,148	(103,272)
Non-controlling interests		**—**	4,387	7,750
Total equity (deficit)		**410,111**	91,535	(95,522)
Non-current liabilities				
Obligation under finance leases	*31*	**—**	—	109
		410,111	91,535	(95,413)

The consolidated financial statements on pages 26 to 98 were approved and authorised for issue by the board of directors on 30 March 2012 and are signed on its behalf by:

Ng Kwok Fai	**Huang Chuan Fu**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Available-for-sale financial assets revaluation reserve** HK$'000	**Convertible notes reserve** HK$'000 *(Note 33)*	**Other reserves** HK$'000 *(Note 37(a))*	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2010 (as restated)	33,194	59,302	—	—	18,174	(213,942)	(103,272)	7,750	(95,522)
Profit for the year	—	—	—	—	—	75,914	75,914	381	76,295
Other comprehensive income for the year									
Exchange differences arising on translation	—	—	—	—	4,836	—	4,836	—	4,836
Total comprehensive income for the year	—	—	—	—	4,836	75,914	80,750	381	81,131
Issue of shares	6,960	67,661	—	—	—	—	74,621	—	74,621
Issue of share upon acquisition of a subsidiary *(Note 42)*	313	1,688	—	—	—	—	2,001	—	2,001
Capital reduction during the year	(38,540)	—	—	—	38,540	—	—	—	—
Contributed surplus utilised	—	—	—	—	(38,540)	38,540	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	3,944	3,944
Disposal of subsidiaries	—	—	—	—	—	—	—	(7,688)	(7,688)
Release of contributed surplus upon disposal of subsidiaries	—	—	—	—	(56,218)	56,218	—	—	—
Release of translation reserve upon disposal of subsidiaries	—	—	—	—	33,048	—	33,048	—	33,048
	(31,267)	69,349	—	—	(23,170)	94,758	109,670	(3,744)	105,926
At 31 December 2010 (as restated)	1,927	128,651	—	—	(160)	(43,270)	87,148	4,387	91,535
At 1 January 2011 (as restated)	**1,927**	**128,651**	**—**	**—**	**(160)**	**(43,270)**	**87,148**	**4,387**	**91,535**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(134,081)**	**(134,081)**	**(10,878)**	**(144,959)**
Other comprehensive income for the year									
Available-for-sale financial assets									
— Change in fair value	**—**	**—**	**(54,990)**	**—**	**—**	**—**	**(54,990)**	**—**	**(54,990)**
— Reclassification adjustment upon impairment	**—**	**—**	**54,990**	**—**	**—**	**—**	**54,990**	**—**	**54,990**
Total comprehensive expenses for the year	**—**	**—**	**—**	**—**	**—**	**(134,081)**	**(134,081)**	**(10,878)**	**(144,959)**
Issue of shares *(Note 36)*	**65,815**	**16,732**	**—**	**—**	**—**	**—**	**82,547**	**—**	**82,547**
Placing expenses	**—**	**(937)**	**—**	**—**	**—**	**—**	**(937)**	**—**	**(937)**
Issue of rights shares *(Note 36)*	**69,355**	**152,580**	**—**	**—**	**—**	**—**	**221,935**	**—**	**221,935**
Right issue expenses	**—**	**(6,546)**	**—**	**—**	**—**	**—**	**(6,546)**	**—**	**(6,546)**
Issue of convertible notes *(Note 33)*	**—**	**—**	**—**	**91,853**	**—**	**—**	**91,853**	**—**	**91,853**
Issue of shares on conversion of convertible notes *(Note 36)*	**110,488**	**49,557**	**—**	**(91,853)**	**—**	**—**	**68,192**	**—**	**68,192**
Disposal of a subsidiary *(Note 43)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,491**	**6,491**
	245,658	**211,386**	**—**	**—**	**—**	**—**	**457,044**	**6,491**	**463,535**
At 31 December 2011	**247,585**	**340,037**	**—**	**—**	**(160)**	**(177,351)**	**410,111**	**—**	**410,111**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
OPERATING ACTIVITIES			
(Loss) profit before taxation from continuing operations		**(142,313)**	5,287
Profit before taxation from discontinued operations	*13*	**—**	71,156
(Loss) profit before taxation		**(142,313)**	76,443
Interest income		**(3)**	—
Impairment loss on available-for-sales financial assets		**54,990**	—
Impairment loss recognised in respect of loan receivables		**145,171**	—
Change in fair value of investment held for trading		**1,231**	—
Finance costs		**50**	15,185
Depreciation of property, plant and equipment		**40**	49,311
Gain on disposal of property, plant and equipment		**—**	(9,034)
Gain on disposal of subsidiaries		**(11,199)**	(144,476)
Share of loss of an associate		**—**	186
Change in fair value of convertible notes		**5,078**	(11,350)
Change in fair value of derivative financial assets		**(24,371)**	1,454
Operating cash flows before movements in working capital		**28,674**	(22,281)
Decrease in inventories		**—**	14,033
Increase in loan receivables		**(399,129)**	(1,232)
Decrease (increase) in trade and other receivables		**3,679**	(23,821)
Decrease in trade and other payables		**(2,365)**	(23,098)
Cash used in operations		**(369,141)**	(56,399)
Hong Kong Profits Tax paid		**(216)**	—
NET CASH USED IN OPERATING ACTIVITIES		**(369,357)**	(56,399)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**—**	128,116
Purchases of available-for-sale financial assets		**(80,190)**	—
Investment deposits paid		**(20,000)**	—
Repayment from an associate		**—**	2,371
Bank interest received		**3**	—
Acquisition of a subsidiary	*42*	**—**	1,368
Purchase of property, plant and equipment		**(178)**	(1,695)
Disposal of subsidiaries	*43*	**(4,906)**	(730)
Purchase of investment held for trading		**(15,151)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(120,422)**	129,430

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Restated)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(3,764)**	(100,255)
Interest paid	**(33)**	(15,185)
Advances from directors	**152**	—
Proceeds from issue of convertible notes	**189,600**	—
Payment for convertible notes issue expenses	**(4,740)**	—
Proceeds from issue of shares upon right issues	**221,935**	—
Payment for right issues issue expenses	**(6,546)**	—
Repayment of obligation under a finance lease	**—**	(799)
Proceeds from placing of ordinary shares	**82,547**	75,660
Payment for share issue expense for placing of ordinary shares	**(937)**	(999)
New borrowings raised	**10,000**	35,769
Loans from shareholders of a subsidiary	**17,209**	5,430
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**505,423**	(379)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,644**	72,652
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**63,137**	(14,247)
Effect of foreign exchange rate changes	**—**	4,732
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**78,781**	63,137
Cash and cash equivalents at the end of the year, represented by:		
Bank balances and cash	**78,781**	63,137

1. GENERAL

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are money lending and provision of credit business, provision of corporate secretarial and consultancy services, and securities investments.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

For the period up to 30 December 2010, the Company regarded United States dollars ("US$") as its functional currency. However, as a result of the Group's disposal of certain subsidiaries which operated in the primary economic environment using US$ and engaged in the business of manufacture and sale of plywood, veneer, jamb and modeling, structural, flooring and other wood related products (the "Plywood Business") on 30 December 2010, as detailed in note 13, the directors of the Company are of the view that the functional currency of the Company has been changed from US$ to HK$ on 30 December 2010. The effect of the change in the functional currency is accounted for prospectively from the date of change in functional currency.

As the Company and most of its remaining major operating subsidiaries' business transactions in terms of operating, investing and financing activities have been mainly in HK$. With effect from 1 January 2011, the presentation currency of the Group has been changed from US$ to HK$ for a more appropriate presentation. The change in presentation currency of the Group has been applied retrospectively, and the comparative figures in these consolidated financial statements have been restated from US$ to HK$ accordingly. The comparative figures in these consolidated financial statements are translated from US$ to HK$ using the rates that approximate the closing rates for items in consolidated statement of financial position, and average rates for the year for items in consolidated income statement and consolidated statement of comprehensive income.

The changes in presentation currency has no significant impact on the financial positions of the Group as at 31 December 2011 and 31 December 2010, or the results and cash flows of the Group for years ended 31 December 2011 and 2010.

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

In the current year, the Group has applied the following new and revised HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK (IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

AMENDMENTS TO HKAS 1 PRESENTATION OF FINANCIAL STATEMENTS (AS PART OF IMPROVEMENTS TO HKFRSs ISSUED IN 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
	Government Loans[4]
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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

AMENDMENTS TO HKFRS 7 DISCLOSURES — TRANSFERS OF FINANCIAL ASSETS

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND AMENDMENTS TO HKFRS 7 DISCLOSURES — OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) - Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) - Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

BASIS OF CONSOLIDATION

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS (Continued)

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

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

INVESTMENTS IN SUBSIDIARIES

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

INTEREST IN AN ASSOCIATE

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTEREST IN AN ASSOCIATE (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

REVENUE RECOGNITION

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including building and leasehold land (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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

LEASING

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

The Group as lessee

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

INVENTORIES

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

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

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

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

BORROWING COSTS

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

TAXATION

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RETIREMENT BENEFIT COSTS

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are measured at fair value, with any changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the change in fair values of investment held for trading in the consolidated income statement. Fair value is determined in the manner described in note 7.

Derivative financial instruments

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would not be material.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. The Group designated listed equity securities as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

Impairment losses on available-for-sale financial assets will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability is classified as held for trading if:

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

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

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

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

Convertible notes

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

Certain other convertible notes issued by the Group that contain the liability component, conversion option components, and early redemption option which is not closely related to the host liability component are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and a derivative financial instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the liability component and the early redemption option component are measured at fair value. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component and the early redemption option is included in equity (convertible notes reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes (Continued)

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the early redemption option are charged to profit or loss immediately.

Other financial liabilities

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

Equity instruments

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

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

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes judgement to determine if the decline in value is significant or prolonged and whether there is an impairment that should be recognised in the income statement. During the year ended 31 December 2011, an impairment loss of HK$54,990,000 (2010: nil) was recognised for available-for-sale financial assets. The carrying amounts of available-for-sale financial assets as at 31 December 2011 were HK$25,200,000 (2010: nil), the details of which were set out in note 24 to the financial statements.

IMPAIRMENT ALLOWANCES ON LOAN RECEIVABLES

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

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

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

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

During the year ended 31 December 2011, impairment loss in respect of loan receivables of approximately HK$145,171,000 (2010: nil) had been recognised in the consolidated income statement.

VALUATION FOR DERIVATIVE FINANCIAL ASSET AND CONVERTIBLE NOTES

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

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

5. CAPITAL RISK MANAGEMENT

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

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

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

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

	31/12/2011 **HK$'000**	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Convertible notes	**—**	42,922	—
Obligation under finance leases	**—**	—	908
Amounts due to directors	**152**	—	—
Total borrowings *(Note 34)*	**10,000**	35,764	517,478
Loans from shareholders of a subsidiary	**—**	48,046	—
Less: Bank balances and cash	**(78,781)**	(63,137)	(8,066)
Net debt	**(68,629)**	63,595	510,320
Total equity (deficit)	**410,111**	91,535	(95,562)
Total capital	**341,482**	155,130	414,758
Gearing ratio (net debt to total capital)	**(20%)**	41%	123%

6. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Financial assets			
Fair value through profit and loss (FVTPL)			
Derivative financial asset	**4,000**	8,410	—
Investment held for trading	**13,920**	—	—
Available-for-sale financial assets	**25,200**	—	—
Amortised cost			
Loan receivables	**273,221**	145,752	—
Trade and other receivables	**5,583**	10,563	8,997
Bank balances and cash	**78,781**	63,137	8,066
	400,705	227,862	17,063
Financial liabilities			
Fair value through profit and loss (FVTPL)			
Convertible notes	**—**	42,922	—
Amortised cost			
Borrowings	**10,000**	35,764	495,165
Loans from shareholders of a subsidiary	**—**	48,046	—
Obligation under finance leases	**—**	—	908
Trade and other payables	**753**	8,982	99,077
Amounts due to directors	**152**	—	—
Bank overdrafts	**—**	—	22,313
	10,905	135,714	617,463

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

MARKET RISK

Foreign currency risk

As at 31 December 2011, all of financial assets and financial liabilities of the Group are denominated in HK$. In the opinion of directors of the Company, the foreign exchange risk is not significant.

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

As at 31 December 2011 and 31 December 2010, all financial assets and financial liabilities of the Group are denominated in HK$, which is the same as the functional currency of the Company.

Interest rate risk

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

The interest rates of interest-bearing borrowings of the Group are disclosed in note 34. The Group currently does not have an interest rate hedging policy. However, management monitors the Group's interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

	Decrease / increase in interest rate (basis point)	**Decrease / increase in profit (loss) for the year** HK$'000
2011	100	(791)
2010	100	650

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at 31 December 2011 and 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk are primarily attributable to the loan receivables and trade and other receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of loans receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2011, the Group's concentration of credit risk by geographical locations is Hong Kong, which accounted for 100% (2010: 100%) of the total loan receivables.

During the year, an impairment loss in respect of loan receivables amounting to HK$145,171,000 has been recognised (2010: nil). However, the directors of the Company consider the credit risk is under control since the management has exercised due care and check the financial background of these debtors.

In respect of the loan receivables arising from the Group's money lending business, 63% (2010: 10%) of the total gross loan receivables as at 31 December 2011 was due from the Group's largest customer and 63% (2010: 31%) of the total loan receivables as at 31 December 2011 was due from the Group's five largest customers for the Group's money lending business.

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

LIQUIDITY RISK

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

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

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

LIQUIDITY RISK (Continued)

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

	On demand or within one year HK$'000	More than one year but less than two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
At 31 December 2011				
Trade and other payables	753	—	753	753
Amount due to directors	152	—	152	152
Borrowings *(Note)*	10,333	—	10,333	10,000
	11,238	—	11,238	10,905
At 31 December 2010 (as restated)				
Trade and other payables	8,982	—	8,982	8,982
Loans from shareholders of a subsidiary	48,046	—	48,046	48,046
Convertible notes	48,000	—	48,000	42,922
Borrowings *(Note)*	37,645	—	37,645	35,764
	142,673	—	142,673	135,714
At 1 January 2010 (as restated)				
Trade and other payables	99,077	—	99,077	99,077
Bank overdrafts	22,313	—	22,313	22,313
Obligation under finance leases	822	116	938	908
Borrowings *(Note)*	568,230	—	568,230	495,165
	690,442	116	690,558	617,463

Note: Borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. There was no undiscounted principal amount of these bank loans as at 31 December 2011 and 31 December 2010. At 1 January 2010, the aggregate principal amounts of these bank loans amounted to HK$387,190,000. The directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank loans would be repaid ranging from two years to five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FAIR VALUE

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

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

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK'000**
2011				
Derivative financial asset	**4,000**	**—**	**—**	**4,000**
Investment held for trading	**13,920**	**—**	**—**	**13,920**
Available-for-sale financial assets	**25,200**	**—**	**—**	**25,200**
	43,120	**—**	**—**	**43,120**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 *HK'000*	Total *HK'000*
2010				
Derivative financial asset	—	—	8,410	8,410
Convertible notes	—	42,922	—	42,922

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FAIR VALUE (Continued)

Fair value measurements recognised in the statement of financial position (Continued)

There were no transfers between Level 1 and 2 in the current and prior years.

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

Reconciliation of Level 3 fair value measurements of financial assets

	Derivative financial asset HK$'000
At 1 January 2010 (as restated)	—
Fair value on acquisition	9,864
Charged to profit or loss	(1,454)
At 31 December 2010 and 1 January 2011 (as restated)	8,410
Charged to profit or loss	(4,444)
Exercise of put option	(3,966)
At 31 December 2011	—

Of the total gains or losses for the year included in profit or loss, approximately HK$4,444,000 (2010: HK$1,454,000) relates to derivative financial asset held at the end of the reporting period. Fair value changes on derivative financial assets are included in "Change in fair value of derivative financial assets" on the face of consolidated income statement.

8. REVENUE

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

	2011 **HK$'000**	2010 HK$'000
Interest income from loan receivables	**52,958**	4,369
Consultancy income	**411**	—
Handling charges and administration fee income	**—**	16
	53,369	4,385

9. SEGMENT INFORMATION

SEGMENT REVENUE AND RESULTS

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Money lending — business of money lending and provision of credits
2. Consultancy services — provision of corporate secretarial and consultancy services
3. Securities investments — trading of securities and investment in long-term securities

In the prior years, the Group was involved in the Plywood Business and the operating segments were reported from geographic perspective to business nature under the Plywood Business. The Plywood Business was discontinued with effect from 30 December 2010 (note 13).

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Segment revenue		
From external customers:		
Money lending	**52,958**	4,385
Consultancy services	**411**	—
Securities investments	**—**	—
	53,369	4,385
Segment (loss) profit		
Money lending	**(112,489)**	1,019
Consultancy services	**407**	—
Securities investments	**(56,221)**	—
	(168,303)	1,019
Unallocated corporate expenses	**(4,510)**	(9,235)
Unallocated corporate income	**8**	3,607
Change in fair value of convertible notes	**(5,078)**	11,350
Change in fair value of derivative financial assets	**24,371**	(1,454)
Gain on disposal of a subsidiary	**11,199**	—
(Loss) profit before taxation from continuing operations	**(142,313)**	5,287

9. SEGMENT INFORMATION (Continued)

SEGMENT REVENUE AND RESULTS (Continued)

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of central administration costs, directors' emoluments, bank interest income, change in fair value of convertible notes, change in fair value of a derivative financial asset, impairment loss on available-for-sale financial assets and gain on disposal of a subsidiary. This is the measure reported to the chief operating decision maker for the purposes of the resources allocation and performance assessment.

SEGMENT ASSETS AND LIABILITIES

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

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Segment assets			
Continuing operations:			
Money lending	**330,165**	157,399	—
Consultancy services	**311**	—	—
Securities investments	**39,120**	—	—
Total segment assets	**369,596**	157,399	—
Assets relating to discontinued operation	**—**	—	75,198
Unallocated corporate assets	**51,987**	70,669	457,296
Consolidated total assets	**421,583**	228,068	532,494
Segment liabilities			
Continuing operations:			
Money lending	**9,573**	44,746	—
Consultancy services	**500**	—	—
Securities investments	**—**	—	—
Total segment liabilities	**10,073**	44,746	—
Liabilities relating to discontinued operation	**—**	—	584,267
Unallocated corporate liabilities	**1,399**	91,787	43,749
Consolidated total liabilities	**11,472**	136,533	628,016

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

- all assets are allocated to operating segments other than property, plant and equipment, interest in an associate, deferred tax assets, investment deposits, derivative financial asset, certain other receivables and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than convertible notes, amounts due to directors, bank overdrafts, certain other payables and tax liabilities.

9. SEGMENT INFORMATION (Continued)

OTHER SEGMENT INFORMATION

For the year ended 31 December 2011

	Continuing operations				
	Money lending HK$'000	Consultancy services HK$'000	Securities investments HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Impairment loss on available-for-sale financial assets	—	—	54,990	—	54,990
Change in fair value of investment held for trading	—	—	1,231	—	1,231
Impairment loss recognised in respect of loan receivables	145,171	—	—	—	145,171
Interest income	(52,958)	—	—	—	(52,958)
Interest expense	2,652	—	—	—	2,652
Additions to available-for-sale financial assets	—	—	80,190	—	80,190

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

	Money lending HK$'000	Consultancy services HK$'000	Securities investments HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation on property, plant and equipment	—	—	—	40	40
Additions to property, plant and equipment	—	—	—	178	178
Additions to investment deposits	—	—	—	20,000	20,000
Change in fair value of convertible notes	—	—	—	5,078	5,078
Change in fair value of derivative financial assets	—	—	—	(24,371)	(24,371)
Gain on disposal of a subsidiary	—	—	—	(11,199)	(11,199)
Net foreign exchange gain	—	—	—	(4)	(4)
Interest income	—	—	—	(3)	(3)
Interest expense	—	—	—	50	50
Income tax expense	—	—	—	2,646	2,646

9. SEGMENT INFORMATION (Continued)

OTHER SEGMENT INFORMATION (Continued)

For the year ended 31 December 2010

	Continuing operations				
	Money lending HK$'000	Consultancy services HK$'000	Securities investments HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets:					
Interest income	(4,369)	—	—	—	(4,369)
Interest expense	855	—	—	—	855
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Depreciation on property, plant and equipment	—	—	—	8	8
Additions to property, plant and equipment	—	—	—	1,695	1,695
Net foreign exchange loss	—	—	—	210	210
Income tax expense	—	—	—	148	148

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong.

The geographical location of the Group's revenue from external customers based on the location of the operations and the Group's non-current assets, excluded those relating to discontinued operations, property, plant, and equipment, investment deposits and available-for sale financial assets is based on the location of the assets in Hong Kong.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Customer A (Revenue from money lending)	**10,787**	N/A

No revenue from the continuing operations with any single external customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2010.

10. INTEREST EXPENSES

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations:		
Interest on:		
— other borrowings wholly repayable within one year	**2,602**	855
— convertible notes	**50**	—
	2,652	855

11. OTHER INCOME AND GAINS

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations:		
Bank interest income	**3**	—
Consultancy services	**411**	—
Waiver of salary of a deceased employee	**—**	2,962
Others	**5**	661
	419	3,623

12. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations:		
Hong Kong Profits Tax		
— Current year	**2,646**	148

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

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

12. INCOME TAX EXPENSE (Continued)

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

	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) profit before taxation from continuing operations	(142,313)	5,287
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	(23,482)	872
Tax effect of expenses not deductible for tax purpose	18,007	1,150
Tax effect of income not taxable for tax purpose	(6,002)	(1,874)
Tax effect of deductible temporary differences not recognised	12,903	—
Tax effect of tax losses not recognised	1,220	—
Tax charge for the year	2,646	148

Details of deferred tax were set out in note 21.

13. DISCONTINUED OPERATIONS

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

The combined results of the discontinued operation (i.e. the Plywood Business) included in the consolidated income statement and consolidated statement of cash flows are set out below.

The profit for the period from the discontinued operation is analysed as follows:

	Period ended 30/12/2010 HK$'000 (Restated)
Loss of the Plywood Business for the period	(73,320)
Gain on disposal of the Plywood Business *(Note 43)*	144,476
Profit for the period from discontinued operations	71,156

13. DISCONTINUED OPERATIONS (Continued)

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

	Period ended 30/12/2010 HK$'000 (Restated)
Turnover	397,997
Cost of sales	(381,043)
Gross profit	16,954
Other income and gains	11,587
Selling and distribution expenses	(33,023)
Administrative expenses	(53,467)
Share of loss of an associate	(186)
Finance costs	(15,185)
Loss before taxation	(73,320)
Income tax expense	—
Loss for the period from discontinued operations attributable to owners of the Company	(73,320)
Net cash from operating activities	74,212
Net cash from investing activities	160,159
Net cash used in financing activities	(181,238)
Net cash inflow	53,133

13. DISCONTINUED OPERATIONS (Continued)

Loss for the period from discontinued operations including the following:

	Period ended 30/12/2010 HK$'000 (Restated)
Auditor's remuneration	428
Cost of inventories sold	381,957
Depreciation of property, plant and equipment	49,303
Staff costs (excluding directors' emoluments)	
— Salaries, wages and other benefits	11,272
— Contributions to retirement contribution plan	1,539
Total staff costs	12,811
Minimum lease payment under operating leases in respect of land and buildings	529
Net foreign exchange losses	19,925
Gain on disposal of property, plant and equipment	(9,034)
Gain on disposal of subsidiaries	(144,476)

14. (LOSS) PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) profit for the year has been arrived at after charging (crediting):		
Continuing operations:		
Auditor's remuneration	**600**	1,376
Directors' emoluments *(Note 15)*	**473**	2,700
Staff costs (excluding directors' emoluments)		
— Salaries, wages and other benefits	**3,337**	661
— Contributions to retirement contribution plan	**92**	16
Total staff costs	**3,429**	677
Depreciation of property, plant and equipment	**40**	8
Net foreign exchange (gain) losses	**(4)**	210
Minimum lease payment under operating lease in respect of land and buildings	**467**	70

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2010: sixteen) directors were as follows:

For the year ended 31 December 2011

	Fees HK$'000	Salary HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors:				
Dr. Budiono Widodo[1]	—	—	—	—
Mr. Sardjono Widodo[1]	—	—	—	—
Ms. Jia Hui	—	—	—	—
Mr. Huang Chuan Fu	—	—	—	—
Mr. Jiang Yi Ren	—	—	—	—
Mr. Liang Jian Hua	—	—	—	—
Mr. Ng Kwok Fai[2]	148	—	—	148
Non-executive director:				
Mr. Chan Kin Sang[4]	121	—	—	121
Independent non-executive directors:				
Mr. Li Sui Yang[3]	4	—	—	4
Mr. Wong Chun Hung	100	—	—	100
Mr. Cheng Po Yuen	100	—	—	100
	473	—	—	473

1 Resigned on 17 January 2011
2 Appointed on 24 November 2011
3 Appointed on 16 December 2011
4 Re-designated as non-executive director from independent non-executive director on 16 December 2011

15. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31 December 2010 (Restated)

	Fees HK$'000	Salary HK$'000	Retirement benefit scheme contribution HK$'000	Total HK$'000
Executive directors:				
Dr. Budiono Widodo	—	1,306	—	1,306
Mr. Sardjono Widodo	700	—	—	700
Mr. Liao Yun Kuang[1]	—	350	—	350
Mr. Yu Chien Te[1]	—	163	8	171
Ms. Jia Hui[2]	—	—	—	—
Mr. Huang Chuan Fu[2]	—	—	—	—
Mr. Jiang Yi Ren[3]	—	—	—	—
Mr. Liang Jian Hua[3]	—	—	—	—
Non-executive directors:				
Mr. Pipin Kusnadi[4]	16	—	—	16
Mr. Sudjono Halim[4]	16	—	—	16
Independent non-executive directors:				
Mr. Marzuki Usman[1]	39	—	—	39
Mr. Wong Chun Hung[5]	—	31	—	31
Mr. Chan Kin Sang[5]	—	31	—	31
Mr. Kusnadi Widjaja[6]	16	—	—	16
Mr. Siah Chong Huat[6]	16	—	—	16
Mr. Cheng Po Yuen[7]	—	8	—	8
	803	1,889	8	2,700

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

No directors waived any emoluments in both years.

16. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, nil (2010: five) were directors of the Company whose emoluments are included in the disclosures in note 15. The emoluments of the five highest paid individuals for the year ended 31 December 2011 were as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Salaries, allowance, other benefits and bonus	3,337	—
Retirement benefit schemes contribution	92	—
	3,429	—

The emoluments of highest paid individuals fell within the nil to HK$1,000,000 band.

During the two years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

17. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting date (2010: nil).

18. (LOSS) EARNINGS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

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

	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	(134,081)	75,914
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible notes	—	(11,350)
(Loss) earnings for the purpose of diluted (loss) earnings per share	(134,081)	64,564

18. (LOSS) EARNINGS PER SHARE (Continued)

FROM CONTINUING AND DISCONTINUED OPERATIONS (Continued)

Number of shares	2011 '000	2010 '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**332,913**	35,860
Effect of dilutive potential ordinary shares:		
Convertible notes	**—**	178
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**332,913**	36,038

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for the consolidation of shares on 10 January 2011 and 20 March 2012 and the effect of right issues on 18 May 2011. Details of the share consolidation and right issue are set out in notes 36 and 48 respectively.

The denominator for the purpose of calculating basic earnings per share in 2010 has been adjusted to effect of the rights issue during the year ended 31 December 2011.

FROM CONTINUING OPERATIONS

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

(Loss)/earnings figures are calculated as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
(Loss) earnings for the year attributable to owners of the Company	**(134,081)**	75,914
Less: loss for the year from discontinued operations	**—**	(71,156)
(Loss) earnings for the purpose of basic (loss) earnings per share	**(134,081)**	4,758
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible notes	**—**	(11,350)
Loss for the purpose of diluted loss per share	**(134,081)**	(6,592)

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

FROM DISCONTINUING OPERATIONS

For the year ended 31 December 2010, basic and diluted earnings per share for the discontinued operation are HK$1.98 and HK$1.97 respectively per share based on the profit for the period from the discontinued operation approximately HK$71,156,000 and the denominators detailed above for both basic and diluted (loss) earnings per share.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land held for own use under finance lease	Buildings	Leasehold improvements	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Jetty	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
AT COST									
At 1 January 2010 (as restated)	25,112	264,703	4,149	791,822	18,605	7,407	12,114	2,730	1,126,642
Additions	—	171	513	474	78	—	—	459	1,695
Exchange differences	124	687	10	2,119	41	18	30	6	3,035
Disposals	—	(155,140)	—	—	—	—	—	—	(155,140)
Disposal of subsidiaries	(25,236)	(110,421)	(4,672)	(794,415)	(18,293)	(7,425)	(12,144)	(3,195)	(975,801)
At 31 December 2010 and 1 January 2011 (as restated)	—	—	—	—	431	—	—	—	431
Additions	—	—	—	—	178	—	—	—	178
At 31 December 2011	—	—	—	—	609	—	—	—	609
ACCUMULATED DEPRECIATION									
At 1 January 2010 (as restated)	(2,645)	(79,300)	(3,955)	(604,727)	(16,612)	(6,864)	(3,979)	—	(718,082)
Provided for the year	(241)	(5,263)	(225)	(42,649)	(490)	(202)	(241)	—	(49,311)
Exchange differences	(22)	(233)	(10)	(1,594)	(32)	(17)	(9)	—	(1,917)
Eliminated on disposals	—	36,058	—	—	—	—	—	—	36,058
Eliminated on disposal of subsidiaries	2,908	48,738	4,190	648,970	16,738	7,083	4,229	—	732,856
At 31 December 2010 and 1 January 2011 (as restated)	—	—	—	—	(396)	—	—	—	(396)
Provided for the year	—	—	—	—	(40)	—	—	—	(40)
At 31 December 2011	—	—	—	—	(436)	—	—	—	(436)
CARRYING VALUES									
At 31 December 2011	—	—	—	—	173	—	—	—	173
At 31 December 2010 (as restated)	—	—	—	—	35	—	—	—	35
At 1 January 2010 (as restated)	22,467	185,403	194	187,095	1,993	543	8,135	2,730	408,560

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

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

20. INTEREST IN AN ASSOCIATE

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Cost of investment in an unlisted associate	—	—	3,847
Share of post-acquisition loss and other comprehensive income	—	—	(3,660)
	—	—	187
Amount due from an associate *(Note)*	—	—	5,281
	—	—	5,468

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

On 30 December 2010, the Group disposed of the interest in an associate along with the Disposal Group (Note 13).

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

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Total assets	—	—	6,328
Total liabilities	—	—	(5,879)
Net assets	—	—	449
Group's share of net assets of associates	—	—	217
Turnover	—	—	11,025
Loss for the year	—	(381)	(4,435)
Group's share of loss and other comprehensive loss of associates for the year	—	(186)	(2,148)

21. DEFERRED TAXATION

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

DEFERRED TAX ASSETS

	Tax losses and unused tax credits		
	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
At 1 January	—	84,411	89,941
Exchange realignment	—	206	969
Charged to consolidated income statement for the year			
continuing operations	—	—	—
discontinued operations	—	(2,910)	(6,499)
Disposal of subsidiaries	—	(81,707)	—
	—	—	84,411

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation		
	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
At 1 January	—	46,719	52,660
Exchange realignment	—	114	558
Credited to consolidated income statement for the year			
continuing operations	—	—	—
discontinued operations	—	(2,910)	(6,499)
Disposal of subsidiaries	—	(43,923)	—
	—	—	46,719
Deferred tax assets (net)	—	—	37,692

Deferred income tax assets are recognised for tax losses and unused tax credits carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

No deferred tax asset attributable to deductible temporary differences and tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and deductible temporary differences of approximately HK$7,391,000 (2010: nil) and HK$78,197,000 (2010: nil) respectively.

22. LOAN RECEIVABLES

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Fixed-rate loan receivables	273,221	145,752	—
Current portion included under current assets	(273,221)	(140,761)	—
Amount due after one year	—	4,991	—

The term of loans entered with customers ranges within one year. All installment loan receivables are denominated in Hong Kong dollars. The loan receivables carry fixed effective interest ranging from 8% to 48% per annum. Included in the carrying amounts of loan receivables as at 31 December 2011 is accumulated impairment loss of HK$109,483,000 (2010: nil). An aged analysis of the loan receivables net of impairment loss at the end of the reporting period, based on the loan agreement commencement date, is as follows:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
0–30 days	5,855	37,912	—
31–90 days	65,797	62,336	—
91–180 days	12,649	32,762	—
181–365 days	188,920	11,996	—
Over 365 days	—	746	—
	273,221	145,752	—

Set out below is an analysis of loan receivables that are past due but not impaired:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Overdue less than 1 month[1]	17,867	17,586	—

[1] As at 31 December 2011, the amount was not subject to any collateral. As at 31 December 2010, the amount were not subject to any collateral except for a loan amount with carrying value of approximately HK$498,000 was subject to collateral for a property amounting to approximately HK$9,998,000.

The movements in provision for impairment of loan receivables are as follows:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
At 1 January	—	—	—
Impairment loss recognised in respect of loan receivables	145,171	—	—
Disposal of a subsidiary	(35,688)	—	—
At 31 December	109,483	—	—

22. LOAN RECEIVABLES (Continued)

Included in the above impairment loss recognised at 31 December 2011 was individually impaired loan receivables with a carrying amount of HK$315,536,000 (2010: nil) before impairment which have been in financial difficulties.

As at 31 December 2011, loan receivables amounting to approximately HK$222,411,000 (2010: HK$21,629,000) were subject to collateral for shares amounting approximately HK$188,385,000 (2010: properties and shares amounting to HK$85,862,000 and HK$4,641,000 respectively).

23. INVESTMENT DEPOSITS

On 28 July 2011, the Company entered into a memorandum of understanding ("MOU") with two independent third parties ("the Vendors") in relation to the potential acquisition of 30% equity interests in Profit Grand Enterprises Limited ("PGE") and its subsidiary (collectively the "PGE Group"). PGE Group has been granted the right to operate sawmills, harvest trees and sell logs, in the forest located in the Independent State of Papua New Guinea with ground area of approximately 65,800 hectares. Pursuant to the MOU, the Group paid a refundable deposit of HK$10,000,000 for this potential acquisition.

On 2 December 2011, Century Praise Limited ("Century Praise"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with the Vendors in relation to this potential acquisition. Century Praise had further paid a refundable deposit of HK$10,000,000 for this potential acquisition.

Up to the approval date of the financial statements, the acquisition has not been completed.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 27 May 2011 and 2 June 2011, the Group acquired equity interests in a company listed on the Stock Exchange at an aggregate consideration of HK$80,190,000.

During the year, there had been a significant decline in the market value of the shares of the investment. The Directors consider that such a decline indicates that the listed equity investment has been impaired and an impairment loss of HK$54,990,000 had been recognised and charged directly to the profit or loss for the year ended 31 December 2011.

25. INVENTORIES

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Raw materials	**—**	—	22,801
Work-in-progress	**—**	—	16,271
Finished goods	**—**	—	20,118
	—	—	59,190

26. TRADE AND OTHER RECEIVABLES

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Trade receivables	311	—	10,664
Bills receivables	—	—	5,344
Less: Impairment loss recognised in respect of trade receivables	—	—	(7,073)
	311	—	8,935
Prepayments	705	171	4,521
Other receivables	5,272	10,563	233
Less: Impairment loss recognised in respect of other receivables	—	—	(171)
	5,977	10,734	4,583
Total trade and other receivables	6,288	10,734	13,518

For the year ended 31 December 2011, the Group allowed a credit period in the range from 30 to 90 days to its trade customers. An aged analysis of the trade receivables net of impairment loss at the end of the reporting period, based on the invoice date, is as follows:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Within 90 days	311	—	3,591
91–180 days	—	—	—
181–365 days	—	—	—
Over 365 days	—	—	7,073
	311	—	10,664

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

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
At 1 January	—	7,073	57,794
Exchange realignment	—	—	(39)
Impairment loss recognised on trade receivables during the year	—	—	62
Amount written off as uncollectible	—	—	(116)
Disposal of subsidiaries	—	(7,073)	(50,628)
At 31 December	—	—	7,073

26. TRADE AND OTHER RECEIVABLES (Continued)

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

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

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Neither past due nor impaired	**311**	—	3,591
Up to 3 months	**—**	—	—
3 to 6 months	**—**	—	—
6 months to 1 year	**—**	—	—
Over 365 days past due	**—**	—	7,073
	311	—	10,664

There was no trade receivable balance as at 31 December 2011 and 2010 which was past due for which the Group has not provided for impairment loss at the end of both reporting periods.

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

The movements in allowance for other receivables were as follows:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
At 1 January	**—**	171	171
Acquired on acquisition of a subsidiary	**—**	938	—
Impairment losses on other receivables recognised during the year	**—**	—	—
Disposal of subsidiaries	**—**	(1,109)	—
At 31 December	**—**	—	171

As at 31 December 2010 and 2011, all the trade and other debtors are neither past nor impaired.

27. INVESTMENT HELD FOR TRADING

Investment held for trading includes:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Listed securities			
Equity securities listed in Hong Kong	**13,920**	—	—

The fair values of the above listed securities are determined based on the quoted market bid prices available at the relevant exchanges.

28. DERIVATIVE FINANCIAL ASSET

The movement of the derivative financial asset for the year was set out below:

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Derivatives:			
Current:			
Listed put option *(Note i)*	**—**	8,410	—
Listed bonus warrant on equity security listed in Hong Kong *(Note ii)*	**4,000**	—	—
	4,000	8,410	—

Notes:

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

On 13 October 2011, the Group entered into a sale and purchase agreement to dispose Delta Wealth, pursuant to which the Group exercised the put option to require Favor Way Investments Limited ("Favor Way"), the non-controlling shareholder of Delta Wealth, to acquire back all of the 510,000 shares of Delta Wealth.

28. DERIVATIVE FINANCIAL ASSET (Continued)

Notes: (Continued)

(i) (Continued)

The value of each of the put option at 19 October 2010, 31 December 2010 and 13 October 2011 were valued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group, using the binomial model. The key inputs into the model at the time of exercise of the options and further details are set out below.

	13/10/2011 HK$'000	31/12/2010 HK$'000	19/10/2010 HK$'000
Derivative financial asset — Put option:			
Grant date	**19 October 2010**	19 October 2010	19 October 2010
Expected volatility	**52%**	43%	48%
Risk free rate	**0.09%**	0.34%	0.42%
Exercisable period	**14 October 2011 to 30 December 2011**	1 January 2011 to 30 December 2011	20 October 2010 to 30 December 2011
Expected dividend yield	**Nil**	Nil	Nil

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

(ii) On 18 August 2011, the Group was granted 400,000,000 listed warrants issued by a company listed on the Stock Exchange at nil consideration. The fair value at 31 December 2011 was determined based on the closing market price as at that date. Each warrant confers the right to subscribe for one ordinary share of the issuer at a subscription price of HK$0.03. The warrants will be expired on 21 August 2012.

29. BANK BALANCES AND CASH

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

The bank balances are deposited with creditworthy banks with no recent history of default.

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

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Malaysian Ringgit	**—**	—	163
Singapore dollars	**—**	—	1,388
United States dollars	**—**	—	845
Chinese Renminbi	**394**	—	—
	394	—	2,396

30. TRADE AND OTHER PAYABLES

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Trade payables	—	—	88,234
Accrued expenses and other payables	1,253	8,982	20,636
	1,253	8,982	108,870

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

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Within 90 days	—	—	47,037
91–180 days	—	—	22,204
181–365 days	—	—	12,130
Over 365 days	—	—	6,863
	—	—	88,234

The average credit period granted by the suppliers of the Group in 2010 ranged from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

31. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	31/12/2011 HK$'000	31/12/2010 HK$'000	1/1/2010 HK$'000	31/12/2011 HK$'000	31/12/2010 HK$'000	1/1/2010 HK$'000
Amounts payable under finance lease:						
Within one year	—	—	822	—	—	799
In more than one year, but not more than five years	—	—	116	—	—	109
	—	—	938	—	—	908
Less: future finance charges	—	—	(31)			
Present value of lease obligation	—	—	907			
Less: Amount due for settlement within twelve months (shown under current liabilities)				—	—	(799)
Amount due for settlements after twelve months				—	—	109

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

32. AMOUNTS DUE TO DIRECTORS

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

33. CONVERTIBLE NOTES

CONVERTIBLE NOTE A — DESIGNATED AT FVTPL

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

On 13 October 2011, the Company entered into a sale and purchase agreement with Favor Way for disposal of Delta Wealth. Pursuant to the said sale and purchase agreement, Favor Way has conditionally agreed to acquire Delta Wealth at the consideration of HK$52,000,000, which included HK$4,000,000 cash consideration and the cancellation of Convertible Note A with principal amount of HK$48,000,000 which was issued to Favor Way on 19 October 2010. The transaction was completed on 22 December 2011 and Convertible Note A was cancelled on 22 December 2011.

The principal terms of the Convertible Note A is as follows:

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

The Convertible Note A, which has been designated at FVTPL, was fairly valued by the directors of the Company with reference to a valuation report issued by AVISTA Valuation Advisory, an independent qualified valuer not connected to the Group. The change in fair value of the convertible notes of approximately HK$5,078,000 and HK$11,350,000 had been recognised in the consolidated income statement for the year ended 31 December 2011 and 31 December 2010 respectively.

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

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

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

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

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

	22/12/2011	31/12/2010	19/10/2010
Stock price	**HK$0.024**	HK$0.06	HK$0.16
Exercise price	**HK$0.274**	HK$0.16	HK$0.16
Risk-free rate	**0.07%**	0.34%	0.42%
Discount rate	**11.45%**	12.00%	13.60%
Expected life	**10 days**	1 year	1.2 years

33. CONVERTIBLE NOTES (Continued)

The movement of the convertible notes for the year was set out below:

	HK$'000
Issued on 19 October 2010	54,272
Fair value change in profit or loss	(11,350)
Carrying amount at 31 December 2010	42,922
Fair value change in profit or loss	5,078
Disposal of a subsidiary	(48,000)
Carrying amount at 31 December 2011	—

None of the Convertible Note A had been converted into ordinary shares of the Company during the years ended 31 December 2010 and 2011.

CONVERTIBLE NOTES B AND C — AMORTISED COST

On 16 May 2011, the Company issued 6% convertible notes (the "Convertible Note B") to several independent third parties in the principal amount of HK$100,000,000. The initial conversion price was HK$0.58. On 18 May 2011, the conversion price was adjusted to HK$0.082 as a result of the right issue set out in note 36. The Convertible Note B in the principal amount of HK$100,000,000 were fully converted into 1,219,512,192 ordinary shares of the Company at HK$0.025 on 18 May 2011.

The effective interest rate of the liability component is 9.69%.

The principal terms of Convertible Note B are as follows:

The maturity date of Convertible Note B is 18 months from the date of issue. The conversion rights attaching to Convertible Note B can be exercised at any time up to the fifth day before the maturity of Convertible Note B. Convertible Note B included an early redemption option of which the Company can redeem whole or part of the outstanding Convertible Note B at an amount equal to 100% of the principal amount at any time and from time to time at the option of the Company prior to the maturity date.

On 29 November 2011, the Company issued 2% convertible notes (the "Convertible Note C") to several independent third parties in the principal amount of HK$89,600,000. The initial conversion price was HK$0.028. The Convertible Note C in the principal amount of HK$89,600,000 were fully converted into 3,200,000,000 ordinary shares of the Company at HK$0.025 on 29 November 2011.

The effective interest rate of the liability component is 22.68%.

The principal terms of the Convertible Note C are as follows:

The maturity date of Convertible Note C is 18 months from the date of issue. The conversion rights attaching to Convertible Note C can be exercised at any time up to the fifth day before the maturity of Convertible Note C. Convertible Note C included an early redemption option of which the Company can redeem whole or part of the outstanding Convertible Note C at an amount equal to 100% of the principal amount at any time and from time to time at the option of the Company prior to the maturity date of Convertible Note C.

Both the Convertible Note B and Convertible Note C contain three components: liability component, equity component and derivative component.

33. CONVERTIBLE NOTES (Continued)

The Company's early redemption option embedded in the Convertible Note B and Convertible Note C was accounted for as "Derivative financial assets" and was measured at fair value with changes in fair value recognised profit or loss.

The derivative financial assets of Convertible Note B and Convertible C were fairly valued by the directors of the Company with reference to a valuation report issued by BMI Appraisal Limited, an independent qualified valuer not connected to the Group.

The fair value of the derivative financial assets of Convertible Note B and Convertible Note C were calculated using the binominal model. Major parameter adopted in the calculation of the fair value are summarised below into the model was as follow:

	Convertible Note B		Convertible Note C
	16/5/2011	18/5/2011	29/11/2011
Stock price	HK$0.320	HK$0.122	HK$0.034
Exercise price	HK$0.580	HK$0.082	HK$0.028
Risk-free rate	0.34%	0.35%	0.21%
Expected volatility	197.07%	203.46%	219.9%
Expected dividend yield	0%	0%	0%
Expected life	18 months	18 months	18 months

The assumptions adopted for the valuation of the Convertible Note B and Convertible Note C are as follows:

(1) The estimation of risk-free rate has made reference to the yield of Hong Kong Exchange Fund Note with same duration as the convertible note;

(2) The expected volatility for the underlying security of the redemption option was determined based on the historical volatility of the share prices of the Company; and

(3) The expected dividend yield of the underlying security of the redemption option was determined based on the historical dividend payment record of the Company.

The movements of the liability, equity and derivatives components of Convertible Note B and Convertible Note C for the year are set out below:

Convertible Note B

	Liability	**Derivative financial assets**	**Equity**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	—	—	—	—
Issued during the year	96,632	(34,127)	37,495	100,000
Transaction costs	(1,801)	—	(699)	(2,500)
Change in fair value	—	(24,815)	—	(24,815)
Conversion to shares during the year	(94,848)	58,942	(36,796)	(72,702)
Imputed interest expense	50	—	—	50
Interest paid	(33)	—	—	(33)
At 31 December 2011	—	—	—	—

33. CONVERTIBLE NOTES (Continued)

Convertible Note C

	Liability HK$'000	Derivative financial assets HK$'000	Equity HK$'000	Total HK$'000
At 1 January 2011	—	—	—	—
Issued during the year	68,242	(34,709)	56,067	89,600
Transaction costs	(1,230)	—	(1,010)	(2,240)
Conversion to shares during the year	(67,012)	34,709	(55,057)	(87,360)
At 31 December 2011	—	—	—	—

34. BORROWINGS AND BANK OVERDRAFTS

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Current			
Banker's acceptance and other banking facilities	**—**	—	80,354
Short term bank borrowings	**—**	—	410,111
Collateralised borrowings	**—**	—	4,700
Other borrowings	**10,000**	35,764	—
	10,000	35,764	495,165
Bank overdrafts	**—**	—	22,313
	10,000	35,764	517,478

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Analysed as:			
Secured	**—**	—	414,811
Unsecured	**10,000**	35,764	102,667
	10,000	35,764	517,478

34. BORROWINGS AND BANK OVERDRAFTS (Continued)

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Carrying amounts repayable:			
On demand or within one year	**10,000**	35,764	130,013
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**—**	—	387,465
	10,000	35,764	517,478
Less: Amounts due within one year shown under current liabilities	**(10,000)**	(35,764)	(517,478)
	—	—	—

Other borrowings represented borrowings from independent third parties.

	Maturity date	Effective interest rate	Carrying amount 31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Fixed rate unsecured other borrowings denominated in HK$:					
Other HK$ loan of HK$10,000,000	3 May 2012	10.00%	**10,000**	—	—
Other HK$ loan of HK$15,000,000	24 September 2011	4.00%	**—**	15,162	—
Other HK$ loan of HK$12,000,000	6 October 2011	5.25%	**—**	12,102	—
Other HK$ loan of HK$8,500,000	21 January 2011	1.00%	**—**	8,500	—
			10,000	35,764	—

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

	2011	2010	2009
Effective interest rates:			
Fixed rate loans	**10.00%**	1.00% to 5.25%	2.82% to 3.50%
Variable rate loans	**—**	—	3.75% to 7.53%

35. LOANS FROM SHAREHOLDERS OF A SUBSIDIARY

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

36. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Authorised:		
At 1 January 2010		
Ordinary share of HK$0.025 each	8,000,000	200,000
Capital reorganisation *(Note a)*	192,000,000	—
At 31 December 2010		
Ordinary share of HK$0.001 each	200,000,000	200,000
Share consolidation *(Note c)*	(192,000,000)	—
Capital reorganisation *(Note e)*	8,000,000	200,000
At 31 December 2011		
Ordinary share of HK$0.025 each	16,000,000	400,000
Issued and fully paid:		
At 1 January 2010	1,327,779	33,194
Capital reorganisation *(Note a)*	—	(38,540)
Issue of shares *(Note b)*	586,540	6,960
Issue of shares upon acquisition of a subsidiary *(Note 42)*	12,500	313
At 31 December 2010	1,926,819	1,927
Share consolidation *(Note c)*	(1,849,747)	—
Issue of rights shares *(Note d)*	2,774,183	69,355
Issue of shares *(Note f)*	2,632,634	65,815
Issue of shares upon conversion of convertible notes *(Note g)*	4,419,512	110,488
At 31 December 2011	9,903,401	247,585

36. SHARE CAPITAL (Continued)

Notes:

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

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

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

(iii) the credit of approximately HK$38.54 million arising from the capital reduction was applied to the contributed surplus account of the Company and be used to offset accumulated losses of the Company.

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

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

(c) Pursuant to the announcement and circular dated 20 December 2010, share consolidation on the basis that every 25 issued and unissued shares of HK$0.001 each in the share capital of the Company have been consolidated into one consolidated share of HK$0.025 each with effect from 10 January 2011. Prior to the date of share consolidation, there were 1,926,819,448 issued shares, after the share consolidation, the number of issued shares have changed to 77,072,999.

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

(d) On 13 April 2011, the shareholders of the Company approved by way of poll of the rights on the basis of thirty rights shares for every one share held on the record date of 26 April 2011 at a subscription price of HK$0.08 per rights share. The private placement raised net proceeds of approximately HK$74,621,000. The rights issue became unconditional on 18 May 2011. 2,774,183,310 rights shares with the par value of HK$0.025 each were allotted and issued on 18 May 2011 and raised net proceed of approximately HK$215,388,000. Details of the rights issue were set out in the circular of the Company dated 28 March 2011.

(e) Pursuant to an ordinary resolution passed at the Company's special general meeting held on 24 November 2011, the Company's authorised share capital was issued to 16,000,000,000 ordinary shares of HK$0.025 each by the creation of 8,000,000,000 ordinary shares of HK$0.025 each.

(f) On 21 January 2011, the Company entered into a placing agreement to place 15,400,000 new ordinary shares with the par value of HK$0.025 each at a price of HK$0.73 per placing share. Furthermore, the Company entered into a supplemental agreement with the placing agent, pursuant to which the placing price had been revised to HK$0.74 per placing share. Net proceeds of approximately HK$11,030,000 were raised and used as general corporate and working capital of the Group and/or for the future development of the Group. Such placing of shares was completed on 31 January 2011.

On 18 October 2011, the Company entered into the share placing agreement with the share placing agent relating to the placing of 817,233,655 new shares. The share placing agreement was fulfilled and that the share placing has been completed on 3 November 2011. The shares have been placed with the par value of HK$0.025 at a price of HK$0.032 to six independent places.

36. SHARE CAPITAL (Continued)

Notes: (Continued)

(f) (Continued)

On 18 October 2011, the Company entered into the share subscription agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,800,000,000 subscription shares with the par value of HK$0.025 at the share subscription price of HK$0.025 per subscription share. The conditions precedent under the share subscription agreement were fulfilled and the share subscription has completed on 24 November 2011 with the proceed of HK$45,000,000.

Date of share issued	**Issue price**	**Number of shares issued**
21 January 2011	HK$0.74	15,400,000
18 October 2011	HK$0.032	817,233,655
18 October 2011	HK$0.025	1,800,000,000
		2,632,633,655

(g) On 13 April 2011, the shareholders of the Company approved by way of poll to place the placing convertible notes with an aggregate principal amount of HK$100,000,000. On 16 May 2011, the placing of these placing convertible notes was completed. On 18 May 2011, the conversion price was adjusted to HK$0.082 (convertible into 1,219,512,192 shares with par value of HK$0.025 each) as a result of the aforementioned rights issue. On 18 May 2011, the placing convertible notes were converted in full into 1,219,512,192 shares with the par value of HK$0.025 each.

On 18 October 2011, the Company entered into the convertible notes placing agreement with a placing agent with an aggregate principal amount of HK$89,600,000. The convertible notes placing agreement were fulfilled and that the share placing has been completed on 29 November 2011. The convertible notes have been placed to six independent places. The convertible notes have been converted by the convertible notes holders at the conversion price of HK$0.028 (convertible into 3,200,000,000 shares with par value of HK$0.025) on the same day.

37. OTHER RESERVES

(A) THE GROUP

	Contributed surplus HK$'000	Translation reserve HK$'000	Total HK$'000
At 1 January 2010 (as restated)	56,218	(38,044)	18,174
Other comprehensive income for the year	—	4,836	4,836
Capital reduction during the year	38,540	—	38,540
Contributed surplus utilised	(38,540)	—	(38,540)
Release of contributed surplus upon disposal of subsidiaries	(56,218)	—	(56,218)
Release of translation reserve upon disposal of subsidiaries	—	33,048	33,048
At 31 December 2010 (as restated) and 31 December 2011	—	(160)	(160)

The contributed surplus of the Group as at 1 January 2010 mainly represented the waiver of an amount due to directors of subsidiaries and the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the company's consideration in exchange therefore.

(B) THE COMPANY

	Contributed surplus HK$'000
At 1 January 2010 (as restated)	159,616
Capital reduction during the year	38,540
Contributed surplus utilised	(38,540)
Release of contributed surplus upon disposal of subsidiaries	(159,616)
At 31 December 2010 (as restated) and 31 December 2011	—

The contributed surplus of the Group as at 1 January 2010 mainly represented the difference between the net assets of the subsidiaries acquired pursuant to a group reorganisation in 1995 over the nominal value of the company's consideration in exchange therefore.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Note	**31/12/2011 HK$'000**	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment		**173**	35	—
Investment deposit		**10,000**	—	—
Investments in subsidiaries	*39*	**—**	8	6,825
		10,173	43	6,825
Current assets				
Trade and other receivables		**1,194**	288	442
Amounts due from subsidiaries *(Note)*		**352,643**	71,310	6,398
Bank balances and cash		**21,170**	61,038	54
		375,007	132,636	6,894
Current liabilities				
Amounts due to subsidiaries *(Note)*		**—**	—	7,771
Convertible notes		**—**	42,922	—
Borrowing		**10,000**	—	—
Trade and other payables		**900**	1,625	9,128
		10,900	44,547	16,899
Net current assets (liabilities)		**364,107**	88,089	(10,005)
Total assets less current liabilities		**374,280**	88,132	(3,180)
Capital and reserves				
Share capital		**247,585**	1,927	33,194
Share premium		**340,037**	128,651	59,302
Other reserves		**—**	—	159,616
Accumulated losses		**(213,342)**	(42,446)	(255,292)
		374,280	88,132	(3,180)

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

39. INVESTMENTS IN SUBSIDIARIES

	31/12/2011 HK$'000	31/12/2010 HK$'000 (Restated)	1/1/2010 HK$'000 (Restated)
Unlisted investments, at cost	—	237,356	236,768
Less: provision for impairment	—	(230,506)	(229,943)
Disposals	—	(6,842)	—
	—	8	6,825

Details of the principal subsidiaries held by the Company as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Class of shares held	Place of incorporation / establishment	Place of operations	Particulars of issued share capital / paid up registered capital	Attributable equity interest of the Group **2011**	2010	Principal activities
Direct subsidiaries							
Best Harvest Asia Limited	Ordinary shares	British Virgin Islands ("BVI")	BVI	US$1	**100%**	100%	Investment holding
Smart Source Corporation Limited	Ordinary shares	Hong Kong ("HK")	HK	HK$1	**100%**	100%	Investment holding
Joy Wealth Finance Limited	Ordinary shares	HK	HK	HK$1	**100%**	100%	Money lending
Treasure Brand Limited[1]	Ordinary shares	BVI	BVI	US$1	**100%**	—	Inactive
Century Praise Limited[1]	Ordinary shares	BVI	BVI	US$1	**100%**	—	Investment holding
Alpha Riches Limited[1]	Ordinary shares	BVI	BVI	US$1	**100%**	—	Inactive
連雲港訊利信息諮詢服務有限公司[3]	Ordinary shares	People's Republic of China ("PRC")	PRC	HK$780,000	**100%**	100%	Provision for information consultancy services, production and installation of advertising banners
Pacific Vision Advisory Services Limited[1]	Ordinary shares	HK	HK	HK$1	**100%**	—	Provision for corporate secretarial and consultancy services
Indirect subsidiaries							
Delta Wealth Finance Limited[2] (Formerly known as Head & Shoulders Finance Limited)	Ordinary shares	HK	HK	HK$1,000,000	**—**	51%	Money lending

1 Newly incorporated during the year ended 31 December 2011.

2 On 19 October 2010, the Group completed the acquisition of 51% equity interest in Delta Wealth which engages in the money lending business in Hong Kong and a shareholder's loan of approximately HK$44,217,000, at an aggregate consideration of HK$48,397,000. This transaction has been accounted for using the acquisition method of accounting. Upon completion of the transaction, Delta Wealth is regarded as a subsidiary of the Group. On 22 December 2011, the Group completed the disposal of 51% equity interest in Delta Wealth which engages in the money lending business in Hong Kong at an aggregate consideration of HK$52,000,000.

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

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

40. COMMITMENTS

OPERATING LEASES

The Group as a lessee

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

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Within one year	**459**	482	318
In the second to fifth year inclusive	**—**	459	39
	459	941	357

Leases are negotiated and rentals are fixed for terms of 2 years (2010: 2 years).

CAPITAL COMMITMENTS

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Capital expenditure in respect of the acquisition of a subsidiary contracted but not provided for	**290,000**	—	—

41. SHARE OPTION SCHEME

EMPLOYEES' SHARE OPTION SCHEME OF THE COMPANY

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

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

41. SHARE OPTION SCHEME (Continued)

EMPLOYEES' SHARE OPTION SCHEME OF THE COMPANY (Continued)

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

No share option has been granted under the Scheme during the reporting period.

	Date of grant	Exercisable period	Outstanding on 1 January 2010	Lapsed during 2010	Outstanding on 31 December 2010 and 2011
Executive director:					
Mr. Liao Yun Kuang*	26.8.1999	14.3.2000–13.3.2010	7,425,600	(7,425,600)	—
Other employees	26.8.1999	14.3.2000–13.3.2010	3,003,000	(3,003,000)	—
			10,428,600	(10,428,600)	—

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

42. ACQUISITION OF A SUBSIDIARY

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

42. ACQUISITION OF A SUBSIDIARY (Continued)

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

	HK$'000 (Restated)
Net assets acquired:	
Loan receivables	144,520
Other receivables	365
Bank balances and cash	3,356
Other payables	(10,571)
Tax liabilities	(669)
Other borrowings	(42,044)
Loans from shareholders of a subsidiary	(86,833)
Net assets acquired	8,124
Non-controlling interests	(3,944)
Shareholders' loan	44,217
Total consideration	48,397
Satisfied by	
Issue of convertible notes *(Note 33)*	54,272
Issue of shares *(Note 36)*	2,001
Put option obtained *(Note 28)*	(9,864)
Cash	1,988
	48,397
Net cash outflow arising on acquisition:	
Cash consideration	(1,988)
Bank balances and cash acquired	3,356
Net inflow of cash and cash equivalents In respect of the acquisition of subsidiaries	1,368

The subsidiary acquired during the year ended 31 December 2010 contributed HK$4,385,000 to the Group's turnover and a profit for the year of HK$3,047,000 between the date of acquisition and 31 December 2010.

If the acquisition had been completed on 1 January 2010, total group revenue for the period would have been HK$13,986,000 and profit for the year would have been HK$342,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

43. DISPOSAL OF SUBSIDIARIES

(a) On 13 October 2011, the Group entered into a sale and purchase agreement with Favor Way (the "S&P Agreement") for disposal of Delta Wealth. Pursuant to the S&P Agreement, Favor Way has conditionally agreed to acquire Delta Wealth at the consideration of HK$52,000,000, which included HK$4,000,000 cash consideration and the cancellation of convertible notes with principal amount of HK$48,000,000 which was issued to Favor Way on 19 October 2010. The transaction was completed on 22 December 2011.

	22 December 2011 HK$'000
Net assets disposed of:	
Loan receivables	**126,489**
Bank balances and cash	**8,906**
Other receivables	**767**
Other borrowings	**(32,000)**
Trade and other payables	**(2,364)**
Loans from shareholders of a subsidiary	**(109,491)**
Amount due to a related company	**(3,017)**
Tax liabilities	**(3,182)**
	(13,892)
Non-controlling interests	**6,491**
Shareholder's loan	**44,236**
	36,835
Gain on disposal	**11,199**
Total consideration	**48,034**
Satisfied by:	
Cancellation of CB upon disposal of Delta Wealth	**48,000**
Cash	**4,000**
Exercise of put option	**(3,966)**
	48,034
Net cash outflow arising on disposal:	
Cash consideration	**4,000**
Bank balances and cash	**(8,906)**
	(4,906)

The gain on disposal is included in profit for the year from continuing operations in the consolidated income statement.

43. DISPOSAL OF SUBSIDIARIES (Continued)

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

	30 December 2010 HK$'000 (Restated)
Net liabilities disposed of:	
Property, plant and equipment	242,945
Interest in an associate	2,923
Deferred tax assets	37,784
Bank balances and cash	5,730
Inventories	45,302
Trade and other receivables	27,001
Borrowings	(438,163)
Trade and other payables	(87,564)
Obligation under finance leases	(109)
Tax liabilities	(762)
	(164,913)
Non-controlling interests	(7,688)
Exchange loss realised	33,125
	(139,476)
Gain on disposal	144,476
Total consideration	5,000
Satisfied by:	
Cash	5,000
Net cash outflow arising on disposal:	
Cash consideration	5,000
Bank balances and cash	(5,730)
	(730)

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

44. PLEDGE OF ASSETS

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

	31/12/2011	31/12/2010	1/1/2010
	HK$'000	HK$'000	HK$'000
Trade and other receivables	**—**	—	8,802
Inventories	**—**	—	57,864
Bank balances	**—**	—	132
Property, plant and equipment	**—**	—	385,627
Leasehold land	**—**	—	22,468

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2011, the Company disposed the 51% equity interest in Delta Wealth and convertible notes with principal amount of HK$48,000,000 were cancelled.

During the year ended 31 December 2011, on 18 May 2011 and 29 November 2011, convertible notes with an aggregate principal amount of HK$100,000,000 and HK$89,600,000 were converted in full into 1,219,512,912 and 3,200,000,000 shares respectively with par value of HK$0.025 each (note 36).

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

46. RETIREMENT BENEFITS SCHEME CONTRIBUTION

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

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2011, contributions of the Group under the MPF Scheme and the Funds amounted to approximately HK$92,000 (2010: HK$200,000). The contributions for the year ended 2010 included also contributions made by the Group to the employees of the Group's former subsidiaries operating in Singapore, Malaysia and the United States of America of which the contributions were made at 7.65% to 14.5% of the basic salary of the employees.

47. RELATED PARTY TRANSACTIONS

COMPENSATION OF KEY MANAGEMENT PERSONNEL

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group did not enter into any significant related party transactions.

(b) Compensation of key management personnel

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

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**473**	2,692
Post-employment benefits	**—**	8
	473	2,700

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

48. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2011, the Company has entered into the following agreements:

(a) With effect from 20 March 2012, the Company has its every existing 10 issued and unissued shares of HK$0.025 each to be consolidated into 1 consolidated share of HK$0.25 each; and

(b) With effect from 20 March 2012, a resolution has been passed for reduction of the capital of the Company. The Company had cancelled the paid-up capital of the Company to the extent of HK$0.24 on each of the shares after consolidation of shares as set out in (i) above such that the nominal value of each issued share has been reduced from HK$0.25 to HK$0.01; and the Company reduced the authorised share capital of the Company by reducing the nominal value of all shares after consolidation from HK$0.25 each to HK$0.01 each which had resulted in the reduction of the authorised share capital of the Company from HK$400,000,000 divided into 1,600,000,000 shares to HK$16,000,000 divided into 1,600,000,000 new shares.