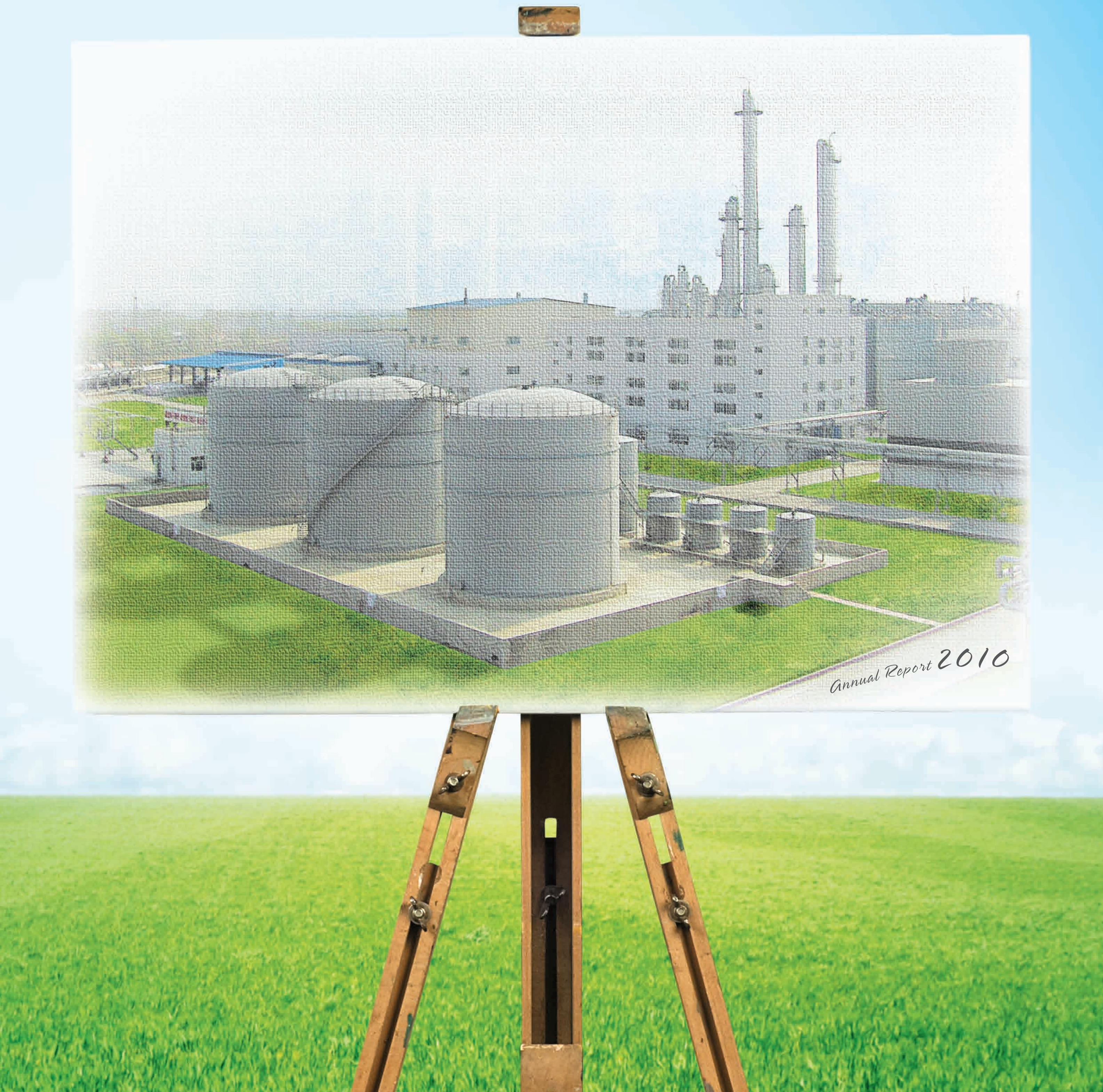
BIO-DYNAMIC GROUP LIMITED
生物動力集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 00039



Annual Report 2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LO Peter, *Chairman*
Mr. LI Wentao, *Chief Executive Officer*
Mr. SUN David Lee
Mr. ZHAO Difei
Mr. LI Jian Quan
Mr. FU Hui

Non-Executive Director

Mr. YEUNG Ting-Lap Derek Emory

Independent Non-Executive Directors

Dr. LOKE Yu
Dr. LEUNG Kwan-Kwok
Mr. ZUCHOWSKI Sam

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric

AUDITORS

Ernst & Young

LEGAL ADVISERS

Herbert Smith

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank Corporation, Harbin Branch
China Merchants Bank, Harbin Branch

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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REGISTERED OFFICE

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Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 705
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

LISTING INFORMATION/STOCK CODE

The Stock Exchange of Hong Kong Limited: 00039

CHAIRMAN'S STATEMENT

Dear Shareholders,

The most used economic jargon in last year was quantitative easing (QE) monetary policy. QE is the most efficient painkiller for recession. It relieves pain but will not heal the sickness. It also generates a number of side-effects, among which inflation is of most concerned. Inflation is not merely a rise in general prices as defined but it forms inflationary expectation. Then real interest rates will be expected to fall and asset prices will be accelerated at a rate higher than the actual inflation rate. Inflation will also deepen the social conflicts to generate political issues. Globalisation makes these issues more complicated. China has achieved an outstanding economic development in global standard by going through more than 30 years of reform. However, the economic development accumulated various economic conflicts such as: rich-poor gap, city-rural development gap, local government revenue and local development, property price and income level, environment protection, low value-added export-oriented growth, "three agricultural issues" etc. While China is seeking further growth, it has to strike a balance for the above issues. There are reports that China will focus on sustainable and inclusive growth, supporting emerging strategic industries: developing higher value-added industries to replace the lower end one; expanding domestic consumptions and rely less on export-oriented growth; modernisation of agricultural sectors to resolve the three agricultural issues and food safety problems; increase energy-saving and environment protection investment to achieve sustainable growth and developing new energy to reduce the dependence on energy import for energy security.

Livestock husbandry is a major part of modernisation in the agricultural sector. The constraints faced in the development of livestock husbandry in China are large number of farmers, limited cultivated lands and grasslands, lack of capital and modern technologies. According to the figures published by National Bureau of Statistics, in 2009, China had approximately 400 million hectares of grasslands, accounted for 42% of its total land area. The grasslands can grow around 1 billion tonnes of grass feeding only 240 million head of sheep. However, China had 107 million of cattle and 285 million of sheep and goats as at 2009 year end. Among the available resources, crop straws and stalks have the best potential as they are large in amount but low in effective usage. The State Council has published "The Opinions of the State Council on Accelerating Multipurpose Use of Crop Straws and Stalks" in 2008. Our Company has committed to develop stalk forage since last year. The construction of first phase has been completed by the year end. Trial run started in early 2011 with satisfactory results. Fine tuning of equipment and production programs are in progress to prepare for commercial production.

Bio-Dynamic Group is a bio-tech group developing ethanol as a strategic industry. The path of the Group's business development is to enter into alcoholic beverage business through our distinguished quality of ethanol and experienced management team and animal feed sector with the support of patented technology. The cooperation with advanced technology company allows us to plan the participation in the fuel ethanol sector by the development of kenaf cellulosic ethanol. The Group has competitive advantages of being (i) able to break through the constraints of the ethanol industry by using advanced technologies to produce sugar beet ethanol and stalk forage which is in line with the relevant international treaties and government regulations, and (ii) able to produce ethanol and its related products with competitive costing, under the conditions of low pollution, efficient energy consumption, improved land resources to meet the market demand.

The ethanol production facility in Harbin commenced production last year. The total output of ethanol was 48,078 tonnes, representing about 80.1% of the designed capacity. Although some technical adjustments and supporting facilities commissioning have been carried out during the year, and thus overheads were abnormally high, the quality of output and the production progress flow are satisfactory. With the contribution of the alcoholic beverage business, turnover for the year was approximately HK$439.2 million, 322.5% higher than previous year. Our task in 2011 is to continue developing the three major business units for sustainable growth and sound profitability for the Group.

LO Peter
Chairman

Hong Kong, 21 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

For the year ended 31 December 2010, the Group's revenue was approximately HK$439.2 million, representing an increase of 322.5% over last year. Loss attributable to owners of the parent was approximately HK$105.0 million, representing an increase of 102.6% over last year. The substantial increase in loss was mainly due to an impairment of goodwill of approximately HK$60.0 million arising from the acquisition of Power Range Holdings Limited. This impairment is a one-off and non-cash expense and has no impact on the operating results and cash flows of the Group. Loss attributable to owners of the parent before impairment was approximately HK$45.0 million, representing an increase of 7.9% over last year. Loss per share for the year was HK11.79 cents (2009: HK9.00 cents as restated).

The substantial increase in revenue was mainly attributable to the commencement of production of the Group's Harbin production facility in December 2009.

The increase of the overall gross profit margin from 2.0% to 2.9% was mainly due to the enhancement of product mix in alcoholic beverage business.

The substantial decrease in selling and distribution costs to revenue ratio from 13.4% to 4.7% was because the ethanol business has relatively lower selling and distribution costs to revenue ratio than that of the alcoholic beverage business.

The increase in administrative expenses by 10.7% over last year was mainly due to the increase in expenses following the commencement of production of the Group's Harbin production facility in December 2009.

Other expenses amounted to approximately HK$60.0 million, representing an increase of 492.5% over last year. The other expenses for the year represented the impairment of goodwill arising from the acquisition of Power Range Holdings Limited. The consideration for the acquisition of Power Range Holdings Limited was satisfied by allotment and issue of 150,000,000 shares of the Company ("Consideration Shares"). As a result of increase in the quoted share price of the Company's shares during the period from the announcement date to the completion date of the acquisition, the fair value of the Consideration Shares was increased by approximately HK$60.0 million. Such increase contributed to the goodwill arising from the acquisition. The impairment of goodwill mainly represented the increase in fair value of the Consideration Shares.

The increase in finance cost by 73.8% over last year was mainly because there was no interest capitalised by the Group following the commencement of production of the Group's Harbin production facility in December 2009.

MATERIAL ACQUISITIONS

The Group had three acquisitions in 2010.

On 12 January 2010, the Group acquired Rightsouth Limited and its subsidiaries (the "Rightsouth Group"). The Rightsouth Group is principally engaged in the sales and distribution of alcoholic beverages in Guangzhou, the PRC. The consideration for the acquisition was satisfied by the Company through the allotment and issue of 78,556,263 shares of the Company, at an issue price of HK$0.471 per share.

On 7 September 2010, the Group acquired Keen Vitality Holdings Limited ("Keen Vitality"). Keen Vitality holds an intellectual property which involves a technique and know-how to produce high-protein forages from corn stalks and liquid waste from ethanol production process. The consideration for the acquisition was satisfied by the Company through the allotment and issue of 60,000,000 shares of the Company, at an issue price of HK$0.60 per share. The consideration shall be adjusted upwards by an amount of HK$18.0 million upon occurrence of certain events.

On 15 September 2010, the Group acquired Power Range Holdings Limited and its subsidiaries (the "Power Range Group"). The Power Range Group is principally engaged in the distribution of alcoholic beverages in Hunan province of the PRC. The brands of liquor being sold mainly include 典藏酒鬼 (Diancang Jiugui) and 小湘泉 (Xiaoxiangquan) under 250ml. The consideration for the acquisition was satisfied by the Company through the allotment and issue of 150,000,000 shares of the Company, at an issue price of HK$0.44 per share.

Details of the acquisitions were set out in the Company's circular dated 24 December 2009, 17 August 2010 and 23 August 2010.

SEGMENTAL INFORMATION

Ethanol business

During the year, the ethanol business recorded revenue of approximately HK$321.6 million and accounted for 73.2% of the total revenue. The Group's Harbin production facility is designed to have an annual production capacity of 60,000 tonnes and has commenced production in December 2009. During the year, the ethanol production output was approximately 48,078 tonnes, representing an utilisation rate of 80.1%. As considerable initial operating costs were incurred to resolve the operational problems and smooth out the teething problems in the first year of operation, the ethanol business recorded a gross loss of approximately HK$5.1 million for the year. The Group will place emphasis to improve the operational efficiency and cost control of this business so as to improve its financial performance and position.

Alcoholic beverage business

The Group developed its downstream in alcoholic beverage business by acquiring the Rightsouth Group and the Power Range Group in January 2010 and September 2010, respectively. Through acquisition of these two groups, the Group gained a retail and distribution network for selling alcoholic beverages in Guangzhou and Hunan province of the PRC. During the year, the alcoholic beverage business recorded revenue of approximately HK$117.6 million (2009: HK$101.7 million as restated) and accounted for 26.8% of the total revenue. Due to change in product mix, the gross profit margin improved from 13.3% to 15.1%. The Group will continue to improve the product mix and focus on higher margin products to grow its business. In addition to the retail and distribution network acquired, the Group is establishing a regional sales and distribution network in the Northeast region of the PRC.

Animal feed business

In September 2010, the Group expanded its business into animal feed business by acquiring Keen Vitality, a company which holds an intellectual property which involves a technique and know-how to produce high-protein forages from corn stalks and liquid waste from the ethanol production process. Construction of a 100,000 tonne forage production facility within the Group's Harbin ethanol production facility was substantially completed in December 2010. Trial runs designed to fine tune the facility has started in January 2011 and will continue until mass production begins. The Group is currently under negotiation with agricultural sectors to establish plants in different regions in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In year 2010, the Group focused on business expansion involving product diversification so as to strengthen the competitiveness of the Group in the ethanol industry. In year 2011, the Group's expansion continues with fuel ethanol.

In January 2011, the Group has entered into a framework agreement with an independent third party for the formation of a joint venture for carrying on the business of production and sale of cellulosic-based fuel ethanol. It is intended that the ethanol will be produced from kenaf. It is also intended that the operation of the production facility for cellulosic-based fuel ethanol with an annual production capacity of over 10,000 tonnes will commence in 2011 upon completion of construction, and the operation of the production facility with an annual production capacity of 100,000 to 200,000 tonnes will commence in 2012 to 2013 upon completion of construction. At the date of this report, no formal joint venture agreement has been entered into. The formal joint venture agreement is subject to further negotiation and agreement by both parties.

Ethanol is the core products of the Group. The Group's animal feed are the by-products of ethanol. Alcoholic beverages and fuel ethanol are the downstream products of ethanol. The Group's wide-ranging business plan aims to diversify its business, and bring it closer to the target of becoming a leading ethanol specialised group in China.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Pursuant to an ordinary resolution passed on 26 May 2010, the authorised share capital of the Company was increased from HK$100,000,000 to HK$400,000,000 by the creation of 3,000,000,000 additional shares of HK$0.1 each.

During the year, in order to further improve the Group's financial position, the Company raised a total of approximately HK$116.7 million from three top-up placings. On 25 January 2010, the Company raised net proceeds of approximately HK$40.4 million by way of a top-up placing of 103,000,000 shares at HK$0.40 each. On 6 August 2010, the Company raised net proceeds of approximately HK$42.5 million by way of a top-up placing of 90,000,000 shares at HK$0.48 each. On 15 December 2010, the Company further raised net proceeds of approximately HK$33.8 million by way of a top-up placing of 30,000,000 shares at HK$1.15 each. The net proceeds have been and will be used for the Group's general working capital purposes.

Due to the three acquisitions, the three top-up placings and the exercise of share options by various directors and employees, the issued share capital of the Company increased by 531,939,263 shares to 1,145,446,263 shares during the year. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

With the consolidation of the acquired subsidiaries and the net proceeds raised from the three top-up placings, the Group has enhanced its asset position and liquidity during the year. The Group's equity attributable to owners of the parent increased from approximately HK$214.7 million (as restated) as at 31 December 2009 to approximately HK$439.2 million as at 31 December 2010, while the Group's net current liabilities decreased from approximately HK$153.6 million (as restated) to approximately HK$36.1 million as at 31 December 2010. The Group's unpledged cash and cash equivalents as at 31 December 2010 amounted to approximately HK$38.1 million (2009: HK$15.2 million as restated), which were denominated in Hong Kong dollars and Renminbi.

As at 31 December 2010, the Group's total borrowings amounted to approximately HK$113.3 million (2009: HK$126.3 million as restated). The Group's borrowings included bank loans of approximately HK$62.3 million (2009: HK$56.1 million as restated), other borrowings of approximately HK$3.5 million (2009: HK$26.8 million), amounts due to related parties of approximately HK$15.8 million (2009: HK$9.3 million as restated) and an amount due to a non-controlling shareholder of a subsidiary of approximately HK$31.7 million (2009: HK$34.1 million). All of the borrowings are denominated in Renminbi. The bank loans bear interest rates ranging between 5.31% and 6.37% (2009: 4.86% and 6.37% as restated). Other borrowings bear interest rate of 6.37% (2009: ranging between 0% and 9.72%). The amounts due to related parties and a non-controlling shareholder of a subsidiary are interest-free. The gearing ratio of the Group as at 31 December 2010, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 28% (2009: 51% as restated).

Considered the Group's current unpledged cash and cash equivalents and bank and other borrowings, and the financial support from the substantial shareholder, the management believes that the Group's financial resources are sufficient for its operations.

The Group did not use financial instruments for financial hedging purposes during the year.

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net asset value as the Company's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, certain of the Group's property, plant and equipment, leasehold land and pledged deposits with aggregate net book value of approximately HK$106.2 million (2009: HK$71.2 million as restated) were pledged to banks to secure the Group's bank loans.

As at 31 December 2010, the Group had no material contingent liabilities (2009: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group had approximately 552 (2009: 438 as restated) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$28.7 million (2009: HK$21.8 million as restated). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted a share option scheme and the purpose of which is to provide incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

CORPORATE GOVERNANCE REPORT

The Company has always recognised the importance of shareholders' transparency and accountability. It is the belief of the board that shareholders can maximise their benefits from good corporate governance.

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010.

BOARD OF DIRECTORS

The board of the Company is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Daily operations and execution are delegated to management. All directors give sufficient time and attention to the Group's affairs. The board believes that the balance between executive and non-executive directors is reasonable and adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

At 31 December 2010, the board comprised six executive directors, namely, Mr. Lo Peter, Mr. Li Wentao, Mr. Sun David Lee, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Fu Hui; one non-executive director, namely, Mr. Yeung Ting-Lap Derek Emory; and three independent non-executive directors, namely, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam.

The non-executive director provides the Group with a wide range of expertise and experience. His participation in board meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account. The independent non-executive directors ensure that the board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company has received annual confirmation of independence from the three independent non-executive directors and as at the date of this report still considers them to be independent.

The board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the board and has around one-third in number of its members comprising independent non-executive directors.

BOARD MEETINGS

For the year ended 31 December 2010, there were eight full board meetings held by the Company to discuss the Group's development strategies, investment projects and the operational and financial performance of the Group. The attendance of the directors at the board meetings is as follows:

		Number of attendance
Executive directors		
Mr. Lo Peter		8/8
Mr. Li Wentao		4/8
Mr. Sun David Lee		7/8
Mr. Zhao Difei		4/8
Mr. Li Jian Quan		3/8
Mr. Fu Hui	*(appointed on 16 September 2010)*	0/1
Mr. Lu Gui Pin	*(resigned on 16 September 2010)*	0/7

	Number of attendance
Non-executive director	
Mr. Yeung Ting-Lap Derek Emory	6/8
Independent non-executive directors	
Dr. Loke Yu	8/8
Dr. Leung Kwan-Kwok	6/8
Mr. Zuchowski Sam	5/8

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. The Company Secretary also keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the meetings.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

Should a potential conflict of interest involving a substantial shareholder or director arise, the matter is discussed in an actual meeting, as opposed to being dealt with by written resolution. Independent non-executive directors with no conflict of interest are present at meetings dealing with conflict issues. Board committees, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in board meetings for committee meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties. Mr. Lo Peter is the Chairman of the Company and provides leadership to the board to ensure that the board works effectively and all important issues are discussed in a timely manner. Mr. Li Wentao is the Chief Executive Officer of the Company and is responsible for supervising the implementation of the Group's strategic plans.

DIRECTORS' TERMS OF APPOINTMENTS AND RE-ELECTION

In accordance with article 116 of the Company's articles of association, one-third of the directors, including the non-executive directors, shall retire from office by rotation at each annual general meeting. The non-executive director and independent non-executive directors are appointed for a period of three years.

Article 99 of the Company's articles of association provides that directors appointed either to fill a casual vacancy or as an addition to the board shall hold office only until the next following general meeting after their appointment, and shall be subject to re-election by the shareholders.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The board is responsible for presenting a clear, balanced assessment of the Group's performance and prospects. It is also responsible for preparing accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and financial disclosures. Management provides the board with the relevant information it needs to discharge these responsibilities.

The responsibilities of the auditors to the shareholders are set out in the Independent Auditors' Report on pages 24 and 25.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management. Meetings of the Remuneration Committee shall be held at least once a year. At 31 December 2010, the Remuneration Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2010, two meetings were held by Remuneration Committee and all members had attended the meetings.

NOMINATION COMMITTEE

The Nomination Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for making recommendations to the board on nominations, appointment of directors and board succession. The Nomination Committee selects candidates for directorship with reference to the candidate's professional knowledge, industry experience, personal ethics and integrity, and time commitments. During the selection process, the Committee may consider referrals or engage external recruitment professionals when necessary. Meetings of the Nomination Committee are held as and when required. At 31 December 2010, the Nomination Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2010, there was one meeting held by the Nomination Committee and all members had attended the meeting.

AUDIT COMMITTEE

The Company has had an Audit Committee since 2001. The Audit Committee is responsible for reviewing the Group's financial reporting, internal controls and making recommendations to the board. At 31 December 2010, the Audit Committee comprised three independent non-executive directors, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam. Dr. Loke Yu is the chairman of the committee.

For the year ended 31 December 2010, there were three meetings held by the Audit Committee to (i) review with external auditors the external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance; (ii) discuss auditing and financial reporting matters for the annual report for 2009 and interim report for 2010 before recommending them to the board for approval; and (iii) review the Group's internal control system. All members had attended the meetings.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors including the followings:

Services rendered	Fee paid/payable
Audit services	880,000
Non-audit services*	650,000
Total	**1,530,000**

* Such services included interim review, issuance of accountants' report in relation to a major transaction and a comfort letter in relation to a discloseable transaction.

INTERNAL CONTROL

The board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and shareholders' interests. The board conducts regular reviews of the Group's internal control system. The board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors. The board believes that the present internal control system is adequate and effective.

The internal audit department follows a risk-and-control based approach. The department performs regular financial and operational reviews of the Group and its subsidiaries, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The internal audit department monitors the follow-up actions agreed upon in response to the Audit Committee's recommendations.

COMMUNICATION WITH SHAREHOLDERS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meeting ("AGM") provides a forum for shareholders to exchange views directly with the board. The Company regards the AGM as an important event and all directors, senior management and external auditors make an effort to attend the AGM of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the AGM of the Company. The Company supports the Code's principle to encourage shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders despatched by the Company where applicable.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The directors and senior management of the Company as at the date of this report are as follows:

DIRECTORS

Mr. LO Peter, aged 55, was appointed an executive director and the chairman of the Company in May 2005. He is responsible for the overall strategic development of the Group. Mr. Lo is currently a director of China Enterprise Capital Limited, an independent non-executive director of Ajisen (China) Holdings Limited and Uni-President China Holdings Ltd., companies currently listed on the Main Board of the Stock Exchange. Mr. Lo was the independent non-executive director of Lonking Holdings Limited from February 2005 to May 2008. He was the chief executive officer and executive director of Harbin Brewery Group Limited, a company formerly listed on the Main Board of the Stock Exchange, from 1998 to 2004. He held senior management positions in the Hong Kong offices of several international companies and has more than 20 years' experience in doing business in the PRC. Mr. Lo received a Bachelor of Science (Economics) Degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Directors of the Year 2004" award from The Hong Kong Institute of Directors. Mr. Lo is a member of the People's Consultative Conference of Harbin City.

Mr. LI Wentao, aged 55, was appointed an executive director of the Company in May 2006 and the chief executive officer in September 2007. He is currently responsible for supervising the implementation of the Group's strategic plans. Mr. Li joined the Group as a non-executive director in September 2005. Prior to joining the Group, Mr. Li was a director and the chairman of Harbin Brewery Group Limited ("HB Group"). Mr. Li graduated from the Light Industrial Institute of Tianjin majoring in machine and facilities for light industry. Following his graduation in 1982, he joined Harbin Brewery Factory ("HBF") in 1982, and HB Group in 1995. He was appointed as the general manager of Harbin Brewing Company Limited in 1996. He is a senior engineer with more than 20 years' experience in the brewery industry gained from working for HBF and HB Group. He has been awarded a series of awards including the National Light Industrial Labourer Model, one of the Ten Most Outstanding Young Persons in Heilongjiang Province, one of the Ten Best Enterprise Operators in Harbin City and the National "First of May" Labour Medal. He was also one of the representatives of the 11th Harbin City People's Congress.

Mr. SUN David Lee, aged 45, was appointed an executive director of the Company in May 2005. He has served as the chief executive officer of the Company from May 2005 to September 2007. Mr. Sun is currently responsible for the international affairs of the Company. He is a director of CEC Management Limited and an executive director of Asia Coal Limited, a company currently listed on the Main Board of the Stock Exchange. Prior to helping form CEC Management Limited, he was the Managing Director and General Counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev. Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Prior to his position at McKinsey, Mr. Sun practised law as an associate in the corporate group at Linklaters. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University.

Mr. ZHAO Difei, aged 48, was appointed an executive director of the Company in July 2007. He was the technology controller of Harbin Brewery Group Limited, in charge of the brewing technology department and quality control department. He graduated from the Light Industrial Institute of Dalian majoring in industrial fermentation and holds a Master Degree in food engineering. Mr. Zhao has more than 20 years' experience in the brewing industry.

Mr. LI Jian Quan, aged 52, was appointed an executive director of the Company in July 2007. He has over 10 years' experience in human resources management and has devoted to scientific research since 1994. Mr. Li graduated from the University of International Business and Economics in Beijing, majoring in International Business.

Mr. FU Hui, aged 48, was appointed an executive director of the Company on 16 September 2010. He is currently the chief operating officer of the Company responsible for monitoring the daily operations of the Group. Mr. Fu was appointed a director of the Company in July 2006 and resigned in July 2007. He was a director and the chief operation officer of Harbin Brewery Group Limited. Mr. Fu joined Harbin Brewery Factory in 1983. He graduated from the Light Industrial Institute of Dalian in 1983 majoring in industrial fermentation and holds a Master Degree in Management Science and Engineering from the Polytechnic University of Harbin in 1983. He was appointed as the manager of the brewing technology, research and development department of Harbin Brewery Factory in 1993 and as the deputy general manager of Harbin Brewery Company Limited in 1996. Mr. Fu was a brewing engineer of Harbin Brewery Group Limited and a senior fermentation engineer with more than 20 years' experience in the brewery industry gained from working for Harbin Brewery Factory and Harbin Brewery Group Limited.

Mr. YEUNG Ting-Lap Derek Emory, aged 38, was appointed a non-executive director of the Company in May 2005. He is the chief executive officer and co-founder of she.com international holdings limited ("she.com"). Mr. Yeung is also a non-executive director of Asia Coal Limited and an independent non-executive director of Dynasty Fine Wines Group Limited, both are companies listed on the Main Board of the Stock Exchange. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. Mr. Yeung holds a Bachelor Degree in Applied Mathematics and Economics from Brown University and a Master Degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a certified public accountant and a member of the American Institute of Certified Public Accountants. Mr. Yeung is also an adjudicator of the registration of persons tribunal of the HKSAR, an executive director of the Hong Kong United Youth Association and member of the town planning appeal board panel and the municipal services appeals board.

Dr. LOKE Yu alias LOKE Hoi Lam, aged 61, was appointed an independent non-executive director of the Company in June 2005. Dr. Loke has over 35 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia. He is a Fellow of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He is also an Associate member of The Hong Kong Institute of Chartered Secretaries. He is currently the company secretary of Minth Group Limited and serves as an independent non-executive director of Vodone Limited, Matrix Holdings Limited, China Fire Safety Enterprise Group Limited, Winfair Investment Company Limited, SCUD Group Limited, Zhong An Real Estate Limited and Chiho-Tiande Group Limited, companies currently listed on the Main Board of the Stock Exchange.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Dr. LEUNG Kwan-Kwok, aged 59, was appointed an independent non-executive director of the Company in May 2005. He is the Director of the Social Capital and Impact Assessment Research Unit and the Associate Professor of Department of Applied Social Studies in the City University of Hong Kong. Since 1991, he has been offering consultancy/professional services to the government, public utilities, voluntary agencies, media, and private enterprises in Hong Kong.

Mr. ZUCHOWSKI Sam, aged 63, was appointed an independent non-executive director of the Company in May 2005. He has considerable experience in investment banking and other direct investments where he has held positions with Merrill Lynch International, Inc., First Pacific U.S. Securities (Aust.) Ltd and Capitalcorp Ltd. He was a director of a number of companies listed on the Main Board of the Stock Exchange. Mr. Zuchowski obtained a Bachelor Degree in Law from the University of Melbourne, Australia.

SENIOR MANAGEMENT

Mr. WANG Ming Yan, aged 50, was appointed the Director of Manufacturing of the Company in January 2011. He joined the Group in July 2007. He was the general manager of Harbin Brewing Company Limited. Mr. Wang is a senior engineer with more than 20 years' experience in the brewery industry. Mr. Wang graduated from the Light Industrial Institute of Harbin.

Ms. CHAN So Fong, aged 37, is the chief financial officer of the Company. She joined the Group in August 2005. Ms. Chan has extensive experience in auditing and financial management. She had worked in Ernst & Young. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan holds a Bachelor Degree in Business Administration with major in Professional Accountancy from The Chinese University of Hong Kong.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements. During the year, the Group acquired subsidiaries which engaged in sales and distribution of alcoholic beverages and intellectual property holding. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 91.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 92. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 28 and 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution amounted to approximately HK$489,777,000, representing the share premium account of the Company of approximately HK$681,555,000 less the accumulated losses as at 31 December 2010 of approximately HK$191,778,000. Under the Companies Law, Cap. 22 (as amended) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 63.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to 27.7%.

None of the directors of the Company 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 five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Lo Peter
Mr. Li Wentao
Mr. Sun David Lee
Mr. Zhao Difei
Mr. Li Jian Quan
Mr. Fu Hui *(appointed on 16 September 2010)*
Mr. Lu Gui Pin *(resigned on 16 September 2010)*

Non-executive director

Mr. Yeung Ting-Lap Derek Emory

Independent non-executive directors

Dr. Loke Yu
Dr. Leung Kwan-Kwok
Mr. Zuchowski Sam

In accordance with article 116 of the Company's articles of association, Mr. Sun David Lee and Dr. Loke Yu will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Dr. Leung Kwan-Kwok will retire by rotation and will not offer himself for re-election at the forthcoming annual general meeting. The non-executive director and independent non-executive directors are appointed for a period of three years.

In accordance with article 99 of the Company's articles of association, Mr. Fu Hui will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. Directors appointed either to fill a casual vacancy or as an addition to the board shall hold office only until the next following general meeting after their appointment, and shall be subject to re-election by the shareholders under article 99 of the Company's articles of association.

The Company has received annual confirmations of independence from Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 14 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through spouse**	**Total**	**Percentage of the Company's issued share capital**
Mr. Lo Peter	3,160,000	–	3,160,000	0.27
Mr. Li Wentao	5,000,000	–	5,000,000	0.44
Mr. Sun David Lee	1,220,000	230,000	1,450,000	0.13
Mr. Zhao Difei	4,300,000	–	4,300,000	0.37
Mr. Li Jian Quan	3,296,000	–	3,296,000	0.29
Mr. Yeung Ting-Lap Derek Emory	100,000	–	100,000	0.01
	17,076,000	230,000	17,306,000	1.51

Long positions in share options of the Company:

Name of director	**Number of options directly beneficially owned**
Mr. Lo Peter	7,000,000
Mr. Li Wentao	1,000,000
Mr. Sun David Lee	2,680,000
Mr. Zhao Difei	500,000
Mr. Fu Hui	4,500,000
Mr. Yeung Ting-Lap Derek Emory	200,000
Dr. Loke Yu	200,000
Mr. Zuchowski Sam	400,000
	16,480,000

Save as disclosed above, as at 31 December 2010, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
China Enterprise Capital Limited *(note)*	Interest of controlled corporations	402,516,263	35.14
Orientelite Investments Limited *(note)*	Beneficial owner	195,000,000	17.02
	Interest of a controlled corporation	128,960,000	11.26
CEC Agricapital Group Limited	Beneficial owner	128,960,000	11.26
CEC F&B Limited *(note)*	Interest of a controlled corporation	78,556,263	6.86
China Food and Beverage Group Limited	Beneficial owner	78,556,263	6.86
Liang Kui Di	Beneficial owner	64,700,000	5.65
Sun Lian	Beneficial owner	61,248,000	5.35

Note:

China Enterprise Capital Limited owns 100% Orientelite Investments Limited and 100% CEC F&B Limited. Orientelite Investments Limited owns 100% of CEC Agricapital Group Limited and CEC F&B Limited owns 88.6% of the issued share capital of China Food and Beverage Group Limited. Accordingly, China Enterprise Capital Limited is taken under the SFO to be interested in the shares in which Orientelite Investments Limited, CEC Agricapital Group Limited and China Food and Beverage Group Limited have an interest. Orientelite Investments Limited is taken under the SFO to be interested in the shares which CEC Agricapital Group Limited have an interest. CEC F&B Limited is taken under the SFO to be interested in the shares in which China Food and Beverage Group Limited has an interest.

Save as disclosed above, as at 31 December 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. Further details of the Scheme are disclosed in note 29 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options: At 1 January 2010	Granted during the year	Exercised during the year	At 31 December 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date HK$ per share
Directors								
Mr. Lo Peter	1,660,000	–	–	1,660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,660,000	–	–	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	–	840,000	–	840,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	840,000	–	840,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	–	1,000,000	–	1,000,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	1,000,000	–	1,000,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	3,320,000	3,680,000	–	7,000,000				
Mr. Li Wentao	1,550,000	–	(1,550,000)	–	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,500,000	–	(2,500,000)	–	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	–	500,000	–	500,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	500,000	–	500,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	4,050,000	1,000,000	(4,050,000)	1,000,000				
Mr. Sun David Lee	1,660,000	–	(1,320,000)	340,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,660,000	–	–	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	–	340,000	–	340,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	340,000	–	340,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	3,320,000	680,000	(1,320,000)	2,680,000				
Mr. Zhao Difei	750,000	–	(750,000)	–	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	2,250,000	–	(2,250,000)	–	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	–	250,000	–	250,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	250,000	–	250,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	3,000,000	500,000	(3,000,000)	500,000				
Mr. Fu Hui	–	2,250,000	–	2,250,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	2,250,000	–	2,250,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	–	4,500,000	–	4,500,000				
Mr. Lu Gui Pin	600,000	–	(600,000)	–	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	1,800,000	–	(1,800,000)	–	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	2,400,000	–	(2,400,000)	–				

Name or category of participant	At 1 January 2010	Granted during the year	Exercised during the year	At 31 December 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date HK$ per share
	Number of share options							
Directors								
Mr. Yeung Ting-Lap	100,000	–	(100,000)	–	11-2-09	11-2-09 to 10-2-12	0.19	0.187
Derek Emory	100,000	–	(100,000)	–	11-2-09	11-2-10 to 10-2-13	0.19	0.187
	–	50,000	–	50,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	50,000	–	50,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	–	50,000	–	50,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	50,000	–	50,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	200,000	200,000	(200,000)	200,000				
Dr. Loke Yu	100,000	–	(100,000)	–	11-2-09	11-2-09 to 10-2-12	0.19	0.187
	100,000	–	(100,000)	–	11-2-09	11-2-10 to 10-2-13	0.19	0.187
	–	50,000	–	50,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	50,000	–	50,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	–	50,000	–	50,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	50,000	–	50,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	200,000	200,000	(200,000)	200,000				
Mr. Zuchowski Sam	100,000	–	–	100,000	11-2-09	11-2-09 to 10-2-12	0.19	0.187
	100,000	–	–	100,000	11-2-09	11-2-10 to 10-2-13	0.19	0.187
	–	50,000	–	50,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	50,000	–	50,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	–	50,000	–	50,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	50,000	–	50,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	200,000	200,000	–	400,000				
	16,690,000	10,960,000	(11,170,000)	16,480,000				
Other employees								
In aggregate	4,088,000	–	(3,428,000)	660,000	31-10-08	31-10-08 to 30-10-11	0.288	0.28
	7,445,000	–	(5,785,000)	1,660,000	31-10-08	31-10-09 to 30-10-12	0.288	0.28
	–	680,000	–	680,000	26-4-10	26-4-11 to 25-4-14	0.73	0.71
	–	680,000	–	680,000	26-4-10	26-4-12 to 25-4-15	0.73	0.71
	–	3,400,000	–	3,400,000	12-7-10	12-7-11 to 11-7-14	0.62	0.62
	–	3,400,000	–	3,400,000	12-7-10	12-7-12 to 11-7-15	0.62	0.62
	–	5,000,000	–	5,000,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
	–	5,000,000	–	5,000,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	11,533,000	18,160,000	(9,213,000)	20,480,000				
Consultants	–	4,750,000	–	4,750,000	13-9-10	13-9-11 to 12-9-14	0.83	0.83
In aggregate	–	4,750,000	–	4,750,000	13-9-10	13-9-12 to 12-9-15	0.83	0.83
	–	9,500,000	–	9,500,000				
	28,223,000	38,620,000	(20,383,000)	46,460,000				

REPORT OF THE DIRECTORS

Notes to the table of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The weighted average closing price of the Company's shares immediately before the exercise dates of the share options was HK$1.24 per share.

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options HK$
Mr. Lo Peter	3,680,000	1,779,000
Mr. Li Wentao	1,000,000	519,000
Mr. Sun David Lee	680,000	300,000
Mr. Zhao Difei	500,000	260,000
Mr. Fu Hui	4,500,000	1,987,000
Mr. Yeung Ting-Lap Derek Emory	200,000	96,000
Dr. Loke Yu	200,000	96,000
Mr. Zuchowski Sam	200,000	96,000
Other employees	18,160,000	8,433,000
Consultants	9,500,000	4,928,000
	38,620,000	18,494,000

The binomial option pricing model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options are set out in note 29 to the financial statements. The measurement dates used in the valuation calculations were the dates on which the options were granted.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LO Peter
Chairman

Hong Kong, 21 March 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of BIO-DYNAMIC GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of BIO-DYNAMIC GROUP LIMITED (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of 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 Company and of the Group as at 31 December 2010, 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2.1 in the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$112,275,000 during the year ended 31 December 2010, and, as at that date, the Group's consolidated current liabilities exceeded its consolidated current assets by HK$36,147,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants

21 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
REVENUE	5	**439,177**	103,939
Cost of sales		**(426,494)**	(101,850)
Gross profit		**12,683**	2,089
Other income	5	**6,582**	6,521
Selling and distribution costs		**(20,455)**	(13,880)
Administrative expenses		**(46,796)**	(42,278)
Other expenses		**(60,000)**	(10,126)
Finance costs	7	**(5,227)**	(3,007)
LOSS BEFORE TAX	6	**(113,213)**	(60,681)
Income tax expense	10	**938**	543
LOSS FOR THE YEAR		**(112,275)**	(60,138)
Attributable to:			
Owners of the parent	11	**(105,012)**	(51,824)
Non-controlling interests		**(7,263)**	(8,314)
		(112,275)	(60,138)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13	**HK(11.79) cents**	HK(9.00) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
LOSS FOR THE YEAR		**(112,275)**	(60,138)
Exchange differences on translation of foreign operations		**9,470**	14
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**9,470**	14
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(102,805)**	(60,124)
Attributable to:			
Owners of the parent	11	**(98,058)**	(51,810)
Non-controlling interests		**(4,747)**	(8,314)
		(102,805)	(60,124)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**348,878**	335,063	358,131
Prepaid land lease payments	15	**32,461**	32,370	33,173
Goodwill	16	**4,073**	–	–
Other intangible assets	17	**195,121**	75,203	77,939
Loan receivable from a related party		**–**	–	3,855
Prepayments for acquisition of items of property, plant and equipment	21	**–**	1,442	1,487
Total non-current assets		**580,533**	444,078	474,585
CURRENT ASSETS				
Inventories	19	**69,313**	26,429	22,878
Trade receivables	20	**10,531**	3,325	6,204
Prepayments, deposits and other receivables	21	**39,181**	18,489	7,102
Due from related parties	36	**527**	846	2,122
Pledged deposits	22	**20,776**	20,776	21,155
Cash and cash equivalents	22	**38,098**	15,201	7,912
Total current assets		**178,426**	85,066	67,373
CURRENT LIABILITIES				
Trade payables	23	**19,491**	8,937	9,701
Other payables and accruals	24	**75,765**	102,146	106,060
Interest-bearing bank and other borrowings	25	**65,781**	82,909	44,864
Due to related parties	36	**15,832**	9,329	16,470
Due to a non-controlling shareholder of a subsidiary	36	**31,730**	34,072	34,074
Tax payable		**5,974**	1,268	1,370
Total current liabilities		**214,573**	238,661	212,539
NET CURRENT LIABILITIES		**(36,147)**	(153,595)	(145,166)
TOTAL ASSETS LESS CURRENT LIABILITIES		**544,386**	290,483	329,419
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26	**27,182**	14,917	15,460
Deferred income	27	**12,381**	12,426	13,029
Loan payable to a related party		**–**	–	21,216
Total non-current liabilities		**39,563**	27,343	49,705
Net assets		**504,823**	263,140	279,714

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
EQUITY				
Equity attributable to owners of the parent				
Issued capital	28	**114,545**	61,351	57,301
Reserves	30(a)	**324,634**	153,385	165,695
		439,179	214,736	222,996
Non-controlling interests		**65,644**	48,404	56,718
Total equity		**504,823**	263,140	279,714

LO Peter
Director

SUN David Lee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the parent									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009											
As previously reported		57,301	369,232	24,277	2,150	–	19,156	(256,453)	215,663	54,296	269,959
Adjustments arising from corporate reorganisation	2.2	–	–	–	13,099	–	1,439	(7,205)	7,333	2,422	9,755
At 1 January 2009, as restated		57,301	369,232	24,277	15,249	–	20,595	(263,658)	222,996	56,718	279,714
Total comprehensive loss (Restated)		–	–	–	–	–	14	(51,824)	(51,810)	(8,314)	(60,124)
Issue of shares	28	4,050	17,521	(4,795)	–	–	–	–	16,776	–	16,776
Share issue expenses	28	–	(477)	–	–	–	–	–	(477)	–	(477)
Capitalisation of then shareholder's loan		–	–	–	21,216	–	–	–	21,216	–	21,216
Equity-settled share option arrangement	29	–	–	6,035	–	–	–	–	6,035	–	6,035
At 31 December 2009 (Restated)		61,351	386,276	25,517	36,465	–	20,609	(315,482)	214,736	48,404	263,140
At 1 January 2010											
As previously reported		**61,351**	**386,276**	**25,517**	**2,150**	**–**	**19,154**	**(309,587)**	**184,861**	**45,523**	**230,384**
Adjustments arising from corporate reorganisation	2.2	**–**	**–**	**–**	**34,315**	**–**	**1,455**	**(5,895)**	**29,875**	**2,881**	**32,756**
At 1 January 2010, as restated		**61,351**	**386,276***	**25,517***	**36,465***	**–***	**20,609***	**(315,482)***	**214,736**	**48,404**	**263,140**
Total comprehensive loss		**–**	**–**	**–**	**–**	**–**	**6,954**	**(105,012)**	**(98,058)**	**(4,747)**	**(102,805)**
Contribution from a non-controlling shareholder of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,987**	**21,987**
Issue of shares	28	**53,194**	**297,419**	**(17,282)**	**(37,000)**	**22,800**	**–**	**–**	**319,131**	**–**	**319,131**
Share issue expenses	28	**–**	**(2,140)**	**–**	**–**	**–**	**–**	**–**	**(2,140)**	**–**	**(2,140)**
Equity-settled share option arrangement	29	**–**	**–**	**5,510**	**–**	**–**	**–**	**–**	**5,510**	**–**	**5,510**
At 31 December 2010		**114,545**	**681,555***	**13,745***	**(535)***	**22,800***	**27,563***	**(420,494)***	**439,179**	**65,644**	**504,823**

* These reserve accounts comprise the consolidated reserves of HK$324,634,000 (2009: HK$153,385,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(113,213)**	(60,681)
Adjustments for:			
Finance costs	7	**5,227**	3,007
Interest income		**(214)**	(480)
Loss on disposal of items of property, plant and equipment		**102**	132
Gain on disposal of a loan receivable from a related party		**–**	(1,703)
Depreciation	14	**27,376**	12,294
Amortisation of prepaid land lease payments	15	**1,016**	999
Amortisation of other intangible assets	17	**5,395**	2,735
Amortisation of deferred income	27	**(468)**	(603)
Impairment of property, plant and equipment	14	**–**	10,126
Impairment of goodwill	16	**60,000**	–
Write-down of inventories to net realisable value		**296**	8,936
Write-back of provision against inventories		**(8,724)**	–
Equity-settled share option expense	29	**5,510**	6,035
		(17,697)	(19,203)
Increase in inventories		**(28,450)**	(12,487)
Decrease/(increase) in trade receivables		**(6,643)**	2,879
Increase in prepayments, deposits and other receivables		**(14,855)**	(11,585)
Decrease in an amount due from the immediate holding company		**–**	17
Decrease in amounts due from related parties		**319**	1,259
Increase/(decrease) in trade payables		**10,487**	(764)
Increase in other payables and accruals		**13,221**	636
Increase/(decrease) in amounts due to related parties		**6,503**	(7,141)
Cash used in operations		**(37,115)**	(46,389)
Interest paid		**–**	–
Tax paid		**(174)**	(103)
Net cash flows used in operating activities		**(37,289)**	(46,492)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Net cash flows used in operating activities		**(37,289)**	(46,492)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**214**	365
Purchase of items of property, plant and equipment		**(61,458)**	(6,946)
Proceeds from disposal of items of property, plant and equipment		**11,127**	2,709
Additions to other intangible assets		**(2,863)**	–
Acquisition of subsidiaries	31	**990**	–
Proceeds from disposal of a loan receivable from a related party		**–**	5,673
Net cash flows from/(used in) investing activities		**(51,990)**	1,801
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	28	**124,731**	16,776
Share issue expenses	28	**(2,140)**	(477)
New bank and other borrowings		**61,242**	61,217
Repayments of bank and other borrowings		**(80,337)**	(23,170)
Contribution from a non-controlling shareholder of a subsidiary		**21,987**	–
Interest paid		**(9,132)**	(2,771)
Net cash flows from financing activities		**116,351**	51,575
NET INCREASE IN CASH AND CASH EQUIVALENTS		**27,072**	6,884
Cash and cash equivalents at beginning of year		**15,201**	7,912
Effect of foreign exchange rate changes, net		**(4,175)**	405
CASH AND CASH EQUIVALENTS AT END OF YEAR		**38,098**	15,201
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**38,098**	15,201

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1**	10
Investments in subsidiaries	18	**314,917**	209,517
Total non-current assets		**314,918**	209,527
CURRENT ASSETS			
Prepayments and deposits	21	**407**	281
Due from subsidiaries	18	**315,271**	86,296
Cash and cash equivalents	22	**11,872**	1,919
Total current assets		**327,550**	88,496
CURRENT LIABILITIES			
Accruals	24	**1,601**	3,419
Total current liabilities		**1,601**	3,419
NET CURRENT ASSETS		**325,949**	85,077
Net assets		**640,867**	294,604
EQUITY			
Issued capital	28	**114,545**	61,351
Reserves	30(b)	**526,322**	233,253
Total equity		**640,867**	294,604

LO Peter	**SUN David Lee**
Director	*Director*

NOTES TO FINANCIAL STATEMENTS

31 December 2010

1. CORPORATE INFORMATION

BIO-DYNAMIC GROUP LIMITED is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 2116 Hutchison House, 10 Harcourt Road, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

2.1 BASIS OF PRESENTATION

At 31 December 2010, the Group had net current liabilities of HK$36,147,000, inclusive of bank and other borrowings of HK$65,781,000 which were due for repayment or renewal within the next 12 months. The Group incurred a consolidated loss of HK$112,275,000 for the year ended 31 December 2010.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, China Enterprise Capital Limited ("CEC"), the substantial shareholder of the Company, has agreed to provide continuous financial support to the Group.

In light of the continuous financial support provided by CEC, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future, and are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the financial statements.

2.2 CORPORATE REORGANISATION

During the year, the Company acquired 100% equity interests in Rightsouth Limited ("Rightsouth") from China Food and Beverage Group Limited ("China Food") at a consideration of HK$37,000,000 by way of allotment and issue of 78,556,263 shares at HK$0.471 each (the "Rightsouth Acquisition"). Rightsouth and its subsidiaries (the "Rightsouth Group") are mainly engaged in the sales and distribution of alcoholic beverages in the People's Republic of China (the "PRC"). Further details of the Rightsouth Acquisition have been set out in the circular of the Company dated 24 December 2009. The Rightsouth Acquisition was completed on 12 January 2010.

As the Company and China Food were ultimately controlled by CEC, the Rightsouth Acquisition should be regarded as a business combination under common control. As such, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the Rightsouth Acquisition had occurred at the beginning of the year ended 31 December 2009.

2.2 CORPORATE REORGANISATION (continued)

In accordance with AG 5, the comparative amounts of the consolidated financial statements of the Group have been restated to include the financial statement items of the Rightsouth Group. The effects of the Rightsouth Acquisition to the Group's comparative financial statements, which extracts the items being restated only, are as follows:

(a) Effect on the consolidated statement of financial position as at 31 December 2009:

	As previously reported	The Rightsouth Group	Total	Consolidated adjustments	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	333,714	1,349	335,063		335,063
CURRENT ASSETS					
Inventories	5,854	20,575	26,429		26,429
Trade receivables	48	3,277	3,325		3,325
Prepayments, deposits and other receivables	15,245	3,244	18,489		18,489
Due from related parties	263	1,198	1,461	(615)	846
Pledged deposits	–	20,776	20,776		20,776
Cash and cash equivalents	10,308	4,893	15,201		15,201
CURRENT LIABILITIES					
Trade payables	2,969	5,968	8,937		8,937
Other payables and accruals	99,562	2,584	102,146		102,146
Interest-bearing bank and other borrowings	79,502	3,407	82,909		82,909
Due to related parties	615	9,329	9,944	(615)	9,329
Tax payable	–	1,268	1,268		1,268
EQUITY					
Equity attributable to owners of the parent					
Issued capital	61,351	36,515	97,866	(36,515)	61,351
Reserves	123,510	(6,640)	116,870	36,515	153,385
Non-controlling interests	45,523	2,881	48,404		48,404

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.2 CORPORATE REORGANISATION (continued)

(b) Effect on the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2009:

	As previously reported HK$'000	The Rightsouth Group HK$'000	Total HK$'000	Consolidated adjustments HK$'000	As restated HK$'000
REVENUE	2,214	101,725	103,939		103,939
Cost of sales	(13,670)	(88,180)	(101,850)		(101,850)
Other income	1,144	5,377	6,521		6,521
Selling and distribution costs	–	(13,880)	(13,880)		(13,880)
Administrative expenses	(39,071)	(3,207)	(42,278)		(42,278)
Finance costs	(2,941)	(66)	(3,007)		(3,007)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange differences on translation of foreign operations	(2)	16	14		14

2.3 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included *in Improvements to HKFRSs 2009 and HK Interpretation 4 (Revised in December 2009),* the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs* 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) (continued)

- HKAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

2.5 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2013

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.5 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group or its parent;

(c) the party is a close member of the family of any individual referred to in (a) or (b); or

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%-5%
Plant and machinery	8%-14%
Leasehold improvements, furniture and fixtures	Over the shorter of the lease terms and 33%
Motor vehicles	10%-25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other fixed assets under construction or installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing cost on relevant borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Technologies

Purchased technologies are stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful lives of 20 to 30 years.

Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful lives of 10 to 30 years.

Customer base

Customer base is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 20 years.

Distribution rights

Distribution rights are stated at cost less any impairment losses and are amortised on the straight-line basis over the term of the distribution agreement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables and loans receivable.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, an amount due to a non-controlling shareholder of a subsidiary and interest-bearing loans and borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is created to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of subsidiaries in Mainland China is Renminbi ("RMB"). As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was HK$4,073,000 (2009: Nil). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 17 to the financial statements.

Useful lives of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets other than goodwill. This estimate is based on the expected pattern of consumption of the future economic benefits embodied in the asset or the contractual or other legal rights associated with the assets. The Group will revise the amortisation period and the amortisation method for an intangible asset where the useful life is different to that previously estimated.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Equity-settled share option expense

The Company operates a share option scheme under which employees (including directors) of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility, dividend yield and the risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the ethanol segment is engaged in the production and sale of ethanol products and ethanol by-products;

(b) the alcoholic beverage segment is engaged in sales and distribution of alcoholic beverages; and

(c) the animal feed segment is engaged in the production and sale of animal feed.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

No intersegment sale and transfer is transacted for the years ended 31 December 2010 and 2009.

4. OPERATING SEGMENT INFORMATION (continued)

	Ethanol HK$'000	Alcoholic beverage HK$'000	Animal feed HK$'000	Total HK$'000
Year ended 31 December 2010				
Segment revenue:				
Sales to external customers	321,617	117,560	–	439,177
Segment results	(33,560)	(66,411)	(1,359)	(101,330)
Reconciliation:				
Interest income	34	180	–	214
Other unallocated income	3,471	2,897	–	6,368
Finance costs	(5,023)	(204)	–	(5,227)
	(35,078)	(63,538)	(1,359)	(99,975)
Corporate and other unallocated expenses				(13,238)
Loss before tax				(113,213)
Segment assets	535,559	127,592	84,893	748,044
Reconciliation:				
Elimination of intersegment receivables				(1,365)
Corporate and other unallocated assets				12,280
Total assets				758,959
Segment liabilities	209,637	43,055	1,208	253,900
Reconciliation:				
Elimination of intersegment payables				(1,365)
Corporate and other unallocated liabilities				1,601
Total liabilities				254,136
Other segment information:				
Impairment losses recognised/(reversed) in the income statement	(8,479)	60,051	–	51,572
Depreciation and amortisation	29,707	3,007	1,073	33,787
Capital expenditure*	22,786	71,994	70,051	164,831

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4. OPERATING SEGMENT INFORMATION (continued)

	Ethanol HK$'000	Alcoholic beverage HK$'000	Total HK$'000
Year ended 31 December 2009 (Restated)			
Segment revenue:			
Sales to external customers	2,214	101,725	103,939
Segment results	(46,365)	(3,541)	(49,906)
Reconciliation:			
Interest income	9	471	480
Other unallocated income	1,136	4,905	6,041
Finance costs	(2,941)	(66)	(3,007)
	(48,161)	1,769	(46,392)
Corporate and other unallocated expenses			(14,289)
Loss before tax			(60,681)
Segment assets	472,237	55,312	527,549
Reconciliation:			
Elimination of intersegment receivables			(615)
Corporate and other unallocated assets			2,210
Total assets			529,144
Segment liabilities	240,644	22,556	263,200
Reconciliation:			
Elimination of intersegment payables			(615)
Corporate and other unallocated liabilities			3,419
Total liabilities			266,004
Other segment information:			
Impairment losses recognised in the income statement	18,850	212	19,062
Depreciation and amortisation	14,418	1,610	16,028
Capital expenditure*	1,908	300	2,208

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Revenue from external customers

Over 90% of the Group's customers are located in Mainland China and all revenue of the Group is derived from operations in Mainland China. The management considers that it is impracticable to allocate the revenue and segment results to geographical locations.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	2010	2009
	HK$'000	HK$'000
		(Restated)
Revenue		
Sale of goods	**439,177**	103,939
Other income		
Government grants*	**2,658**	568
Amortisation of deferred income (note 27)	**468**	603
Interest income	**214**	480
Gain on disposal of a loan receivable from a related party	**–**	1,703
Others	**3,242**	3,167
	6,582	6,521

* The government grants represent the subsidies received by the Group from the local government for environmental protection and the transformation of new pattern of industrialisation. There are no unfulfilled conditions or contingencies relating to these grants.

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6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Cost of inventories sold		**434,922**	92,914
Depreciation	14	**27,376**	12,294
Amortisation of prepaid land lease payments	15	**1,016**	999
Amortisation of other intangible assets	17	**5,395**	2,735
Minimum lease payments under operating leases in respect of land and buildings		**4,399**	4,309
Auditors' remuneration		**980**	640
Employee benefit expense (including directors'remuneration) (note 8):			
Wages and salaries		**21,243**	14,560
Equity-settled share option expense		**5,510**	6,035
Pension scheme contributions		**1,926**	1,190
		28,679	21,785
Foreign exchange differences, net		**411**	166
Write-down of inventories to net realisable value		**296**	8,936
Write-back of provision against inventories		**(8,724)**	–
Other expenses:			
Impairment of property, plant and equipment	14	**–**	10,126
Impairment of goodwill	16	**60,000**	–
		60,000	10,126
Interest income	5	**(214)**	(480)
Gain on disposal of a loan receivable from a related party	5	**–**	(1,703)
Loss on disposal of items of property, plant and equipment		**102**	132

7. FINANCE COSTS

	Group 2010 HK$'000	2009 HK$'000 (Restated)
Interest on bank loans and other loans wholly repayable within five years	**5,227**	4,900
Less: Interest capitalised	**–**	(1,893)
	5,227	3,007

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2010 HK$'000	2009 HK$'000
Fees	**1,005**	1,000
Other emoluments:		
Salaries, allowances and benefits in kind	**300**	1,120
Equity-settled share option expense	**2,034**	3,801
Pension scheme contributions	**10**	10
	2,344	4,931
	3,349	5,931

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	2010 Fees HK$'000	2010 Equity-settled share option expense HK$'000	2010 Total HK$'000	2009 Fees HK$'000	2009 Equity-settled share option expense HK$'000	2009 Total HK$'000
Dr. Loke Yu	**100**	**35**	**135**	100	18	118
Dr. Leung Kwan-Kwok	**100**	**–**	**100**	100	–	100
Mr. Zuchowski Sam	**100**	**35**	**135**	100	18	118
	300	**70**	**370**	300	36	336

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors:					
Mr. Lo Peter	100	–	604	5	709
Mr. Li Wentao	96	–	115	–	211
Mr. Sun David Lee	100	–	151	5	256
Mr. Zhao Difei	96	–	58	–	154
Mr. Lu Gui Pin*	85	–	–	–	85
Mr. Li Jian Quan	100	300	–	–	400
Mr. Fu Hui**	28	–	1,001	–	1,029
	605	300	1,929	10	2,844
Non-executive director:					
Mr. Yeung Ting-Lap Derek Emory	100	–	35	–	135
	705	300	1,964	10	2,979

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive directors:					
Mr. Lo Peter	100	–	472	5	577
Mr. Li Wentao	100	500	576	–	1,176
Mr. Sun David Lee	100	–	472	5	577
Mr. Zhao Difei	100	300	804	–	1,204
Mr. Lu Gui Pin	100	20	619	–	739
Mr. Li Jian Quan	100	300	804	–	1,204
	600	1,120	3,747	10	5,477
Non-executive director:					
Mr. Yeung Ting-Lap Derek Emory	100	–	18	–	118
	700	1,120	3,765	10	5,595

* *Resigned on 16 September 2010.*

** *Appointed on 16 September 2010.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include three (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: one) non-director, highest paid employees for the year is as follows:

	Group 2010 HK$'000	Group 2009 HK$'000
Salaries, allowances and benefits in kind	**582**	690
Equity-settled share option expense	**728**	407
Pension scheme contributions	**12**	12
	1,322	1,109

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	1
	2	1

During the year and in prior years, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such options, which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. INCOME TAX

During the year, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong.

	2010	2009
	HK$'000	HK$'000
Group:		
Current	**1**	–
Deferred (note 26)	**(939)**	(543)
Total tax credit for the year	**(938)**	(543)

10. INCOME TAX (continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for Hong Kong in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	2010		2009	
	HK$'000	**%**	HK$'000 (Restated)	%
Loss before tax	**(113,213)**		(60,681)	
Tax at the statutory tax rate	**(18,680)**	**16.50**	(10,012)	16.50
Expenses not deductible for tax	**9,964**	**(8.80)**	2,641	(4.35)
Tax losses not recognised	**8,951**	**(7.90)**	9,165	(15.11)
Effect of different tax rates of subsidiaries	**(265)**	**0.23**	(1,542)	2.54
Tax losses utilised from previous periods	**(908)**	**0.80**	(795)	1.31
Tax credit at the Group's effective rate	**(938)**	**0.83**	(543)	0.89

Under the new corporate income tax law of the PRC effective from 1 January 2008, the tax rate applicable to domestic-invested enterprises and foreign-invested enterprises has been standardised at 25%. One of the Group's subsidiaries is exempted from PRC corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. Although this subsidiary has no assessable profit since its date of registration, based on the State Council Circular on the Implementation of Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] No. 39), this subsidiary should be subject to the first year exemption in 2008 whether or not it has assessable profit.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2010 includes a loss of approximately HK$13,238,000 (2009: HK$14,289,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2010 (2009: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 890,361,104 (2009: 575,801,521) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010						
At 31 December 2009 and						
at 1 January 2010:	84,430	275,695	8,280	5,993	2,821	377,219
Cost						
Accumulated depreciation						
and impairment	(6,404)	(25,853)	(6,920)	(440)	(2,539)	(42,156)
Net carrying amount (restated)	78,026	249,842	1,360	5,553	282	335,063
At 1 January 2010, net of accumulated depreciation and impairment (restated)	78,026	249,842	1,360	5,553	282	335,063
Additions	–	4,374	1,141	3,025	15,917	24,457
Acquisition of subsidiaries (note 31)	16,348	–	76	71	–	16,495
Disposals	–	(11,142)	–	(87)	–	(11,229)
Depreciation provided during the year	(3,399)	(21,740)	(1,139)	(1,098)	–	(27,376)
Exchange realignment	2,941	8,309	33	175	10	11,468
At 31 December 2010, net of accumulated depreciation and impairment	93,916	229,643	1,471	7,639	16,209	348,878
At 31 December 2010:						
Cost	104,991	278,505	9,801	9,225	18,836	421,358
Accumulated depreciation						
and impairment	(11,075)	(48,862)	(8,330)	(1,586)	(2,627)	(72,480)
Net carrying amount	93,916	229,643	1,471	7,639	16,209	348,878

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009						
At 31 December 2008 and at 1 January 2009:						
Cost	84,434	24,767	7,967	433	260,552	378,153
Accumulated depreciation and impairment	(3,309)	(10,590)	(5,256)	(303)	(564)	(20,022)
Net carrying amount (restated)	81,125	14,177	2,711	130	259,988	358,131
At 1 January 2009, net of accumulated depreciation and impairment (restated)	81,125	14,177	2,711	130	259,988	358,131
Additions	–	15	300	–	1,893	2,208
Disposals	–	(96)	–	(36)	(2,709)	(2,841)
Impairment	–	(8,059)	(29)	(63)	(1,975)	(10,126)
Depreciation provided during the year	(3,095)	(7,483)	(1,627)	(89)	–	(12,294)
Transfers	–	251,290	–	5,612	(256,902)	–
Exchange realignment	(4)	(2)	5	(1)	(13)	(15)
At 31 December 2009, net of accumulated depreciation and impairment	78,026	249,842	1,360	5,553	282	335,063
At 31 December 2009:						
Cost	84,430	275,695	8,280	5,993	2,821	377,219
Accumulated depreciation and impairment	(6,404)	(25,853)	(6,920)	(440)	(2,539)	(42,156)
Net carrying amount (restated)	78,026	249,842	1,360	5,553	282	335,063

At 31 December 2010, certain of the Group's property, plant and equipment with a net book value of approximately HK$69,615,000 (2009: HK$39,047,000) were pledged to secure bank loans of the Group (note 25).

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15. PREPAID LAND LEASE PAYMENTS

	Group 2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	**33,369**	34,370
Recognised during the year	**(1,016)**	(999)
Exchange realignment	**1,142**	(2)
Carrying amount at 31 December	**33,495**	33,369
Current portion included in prepayments, deposits and other receivables	**(1,034)**	(999)
Non-current portion	**32,461**	32,370

The leasehold land is situated in PRC and is held under medium term leases.

At 31 December 2010, certain of the Group's leasehold land with a net book value of approximately HK$15,832,000 (2009: Nil) was pledged to secure bank loans of the Group (note 25).

16. GOODWILL

	Group 2010 HK$'000	2009 HK$'000 (Restated)
At 1 January:		
Cost	**7,016**	7,016
Accumulated impairment	**(7,016)**	(7,016)
Net carrying amount	**–**	–
Cost at 1 January, net of accumulated impairment	**–**	–
Acquisition of subsidiaries (note 31)	**64,073**	–
Impairment during the year	**(60,000)**	–
Cost at 31 December, net of accumulated impairment	**4,073**	–
At 31 December:		
Cost	**71,089**	7,016
Accumulated impairment	**(67,016)**	(7,016)
Net carrying amount	**4,073**	–

16. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the alcoholic beverage cash-generating unit for impairment testing:

The recoverable amount of the alcoholic beverage cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 22.9% and cash flows beyond the five-year period were extrapolated using a growth rate of 5% which was not exceed the long term average growth rate of the alcoholic beverage industry.

Key assumptions were used in the value in use calculation of the alcoholic beverage cash-generating unit for 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for Mainland China from where the raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

During the year ended 31 December 2010, impairment losses of HK$60,000,000 (2009: Nil) has been recognised in the consolidated income statement for goodwill attributable to the Group's alcoholic beverage cash-generating unit.

As detailed in note 31, the consideration for acquisition of Power Range Holdings Limited was satisfied by allotment and issue of 150,000,000 new shares of the Company (the "Consideration Shares"). As a result of increase in the quoted share price of the Company's shares during the period from the announcement date to the completion date of the acquisition, the fair value of the Consideration Shares was increased by approximately HK$60,000,000. Such increase, being change in the fair value of the consideration paid by the Group, contributed to goodwill arising from the acquisition. The impairment loss of HK$60,000,000 during the year mainly represented the increase in fair value of the Consideration Shares.

The net carrying amount of goodwill after the impairment loss represents access and market establishment in the alcoholic beverage business and anticipated profitability that the acquisition provides to the Group.

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17. OTHER INTANGIBLE ASSETS

Group

	Technologies HK$'000	Trademarks HK$'000	Customer base HK$'000	Distribution rights HK$'000	Total HK$'000
31 December 2010					
Cost at 1 January 2010, net of accumulated amortisation and impairment	**59,669**	**15,534**	**–**	**–**	**75,203**
Additions	**69,615**	**2,350**	**–**	**–**	**71,965**
Acquisition of subsidiaries (note 31)	**–**	**577**	**–**	**51,337**	**51,914**
Amortisation provided during the year	**(3,234)**	**(592)**	**–**	**(1,569)**	**(5,395)**
Exchange realignments	**–**	**541**	**–**	**893**	**1,434**
At 31 December 2010	**126,050**	**18,410**	**–**	**50,661**	**195,121**
At 31 December 2010:					
Cost	**165,503**	**31,529**	**28,704**	**52,244**	**277,980**
Accumulated amortisation and impairment	**(39,453)**	**(13,119)**	**(28,704)**	**(1,583)**	**(82,859)**
Net carrying amount	**126,050**	**18,410**	**–**	**50,661**	**195,121**
31 December 2009					
Cost at 1 January 2009, net of accumulated amortisation and impairment	61,839	16,100	–	–	77,939
Amortisation provided during the year	(2,170)	(565)	–	–	(2,735)
Exchange realignments	–	(1)	–	–	(1)
At 31 December 2009	59,669	15,534	–	–	75,203
At 31 December 2009:					
Cost	95,888	27,633	27,742	–	151,263
Accumulated amortisation and impairment	(36,219)	(12,099)	(27,742)	–	(76,060)
Net carrying amount	59,669	15,534	–	–	75,203

18. INVESTMENTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**314,917**	209,517
Due from subsidiaries	**315,271**	86,296
	630,188	295,813

The amounts due from subsidiaries included in the Company's current assets of HK$315,271,000 (2009: HK$86,296,000) are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CEC Ethanol (Northeast) Limited	British Virgin Islands ("BVI")/Hong Kong	US$12,750,315	100	–	Investment holding
Harbin China Distillery Co., Ltd. ("Harbin China Distillery")**	PRC/ Mainland China	RMB313,122,821	–	75	Production and sale of ethanol
BAPP Ethanol Holdings Limited	BVI/Hong Kong	US$4,450,682	100	–	Investment holding
BAPP (Northwest) Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Ningxia West Bright New Resource Technology Co., Ltd. *	PRC/ Mainland China	RMB45,010,558	–	100	Dormant
Skymax International Investment Enterprise Limited	Hong Kong	HK$1	–	100	Inactive
Bio-Dynamic China Limited	Hong Kong	HK$1	100	–	Investment holding
Harbin Niu Wang Muye Management Co., Ltd.*#	PRC/ Mainland China	RMB1,500,000	–	100	Research and development
Mutual Zone Limited	Hong Kong	HK$1	100	–	Investment holding
Heilongjiang Beiguochun Liquor Sales and Distribution Co., Ltd.*#	PRC/ Mainland China	RMB15,000,000	–	100	Distribution of alcoholic beverages

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18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Harbin Meiming Wenshi Spirit Sales Co Limited *#	PRC/ Mainland China	RMB5,000,000	–	100	Inactive
Rightsouth Limited #	BVI/Hong Kong	US$4,694,001	100		Investment holding
Gold Star International (HK) Limited #	Hong Kong	HK$21,216,001	–	100	Inactive
Guangzhou Wine and Liquor Franchised Stores Ltd. ("GZ Wine") **#	PRC/ Mainland China	RMB12,500,000	–	70	Retail sales and distribution of alcoholic beverages
Power Range Holdings Limited ("Power Range") #	BVI/Hong Kong	US$2	–	100	Investment holding
JGJ (China) Group Limited #	Hong Kong	HK$1	–	100	Investment holding
Shenzhen Meiming Wenshi Trading Limited *#	PRC/ Mainland China	RMB10,000,000	–	100	Distribution of alcoholic beverages
Hunan Meiming Wenshi Jiuguijiu Sales Limited *#	PRC/ Mainland China	RMB5,000,000	–	100	Distribution of alcoholic beverages
Keen Vitality Holdings Limited #	BVI/Hong Kong	US$50,000	100	–	Inactive

* Registered as a wholly-owned foreign enterprise under PRC law.

** Registered as a sino-foreign equity joint venture under PRC law.

\# Acquired/established during the year.

During the year, apart from the acquisition of Rightsouth and Power Range as detailed in note 2.2 and 31, respectively, to the financial statements, on 14 August 2010, the Group acquired 100% equity interest in Harbin Niu Wang Muye Management Co., Ltd. from independent third parties for a cash consideration of HK$538,000. On 7 September 2010, the Group acquired 100% equity interest in Keen Vitality Holdings Limited ("KVHL") from an independent third party (the "KVHL Acquisition"). The purchase consideration for the KVHL Acquisition was satisfied by the Company through allotment and issue of 60,000,000 new shares of the Company at HK$0.60 per share. The consideration shall be adjusted upwards by an amount of HK$18,000,000 which shall be satisfied by the Company through the allotment and issue of 30,000,000 new shares of the Company upon occurrence of certain events. KVHL has not conducted any business as at the date of acquisition. Accordingly, the transaction was accounted for as the acquisition of assets rather than as a business combination. The assets acquired from KVHL mainly include an intangible asset of HK$69,615,000. Further details of the KVHL Acquisition were set out in the circular of the Company dated 17 August 2010.

19. INVENTORIES

	Group 2010 HK$'000	2009 HK$'000 (Restated)
Raw materials	**10,840**	2,643
Work in progress	**6,446**	9,661
Finished goods	**52,535**	23,061
	69,821	35,365
Write-down of inventories to net realisable value	**(508)**	(8,936)
	69,313	26,429

20. TRADE RECEIVABLES

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

None of the trade receivables is impaired. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2010 HK$'000	2009 HK$'000 (Restated)
Within 1 month	**9,842**	3,325
1 to 2 months	**116**	–
2 to 3 months	**–**	–
Over 3 months	**573**	–
	10,531	3,325

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20. TRADE RECEIVABLES (continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Neither past due nor impaired	**9,842**	3,325
Less than 1 month past due	**116**	–
1 to 3 months past due	**573**	–
	10,531	3,325

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Current:				
Prepayments	**24,033**	2,133	**344**	218
Deposits and other receivables	**6,199**	15,027	**63**	63
Tax recoverable	**8,949**	1,329	**–**	–
	39,181	18,489	**407**	281
Non-current:				
Prepayments	**–**	1,442	**–**	–

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

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Cash and bank balances	**38,098**	15,201	**11,872**	1,919
Time deposits	**20,776**	20,776	**–**	–
	58,874	35,977	**11,872**	1,919
Less: Pledged time deposits:				
Pledged for bank loans (note 25)	**(20,776)**	(20,776)	**–**	–
Cash and cash equivalents	**38,098**	15,201	**11,872**	1,919

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$23,941,000 (2009: HK$12,387,000 as restated). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for one year and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Within 1 month	**8,879**	1,340
1 to 2 months	**4,478**	5,439
2 to 3 months	**562**	9
Over 3 months	**5,572**	2,149
	19,491	8,937

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

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24. OTHER PAYABLES AND ACCRUALS

	Group 2010 HK$'000	Group 2009 HK$'000 (Restated)	Company 2010 HK$'000	Company 2009 HK$'000
Other payables*	**69,776**	92,228	**–**	–
Accruals	**5,989**	9,918	**1,601**	3,419
	75,765	102,146	**1,601**	3,419

* The directors believe that the Group will be able to negotiate for the deferral of repayments when they fall due.

Other payables are non-interest-bearing and have an average term of three months.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000 (Restated)
Current						
Bank loan – secured	**5.31-6.37**	**2011**	**62,285**	4.86-6.37	2010	56,105
Other loans – unsecured	**6.37**	**2011**	**3,496**	0-9.72	2010	26,804
			65,781			82,909

	Group 2010 HK$'000	Group 2009 HK$'000 (Restated)
Analysed into:		
Bank loans and other borrowings:		
Within one year	**65,781**	82,909

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) As at 31 December 2010, the Group's loan facilities amounting to HK$47,008,000 (2009: Nil), of which HK$40,544,000 (2009: Nil) had been utilised as at the end of the reporting period, are secured by mortgages over the Group's property, plant and equipment and leasehold land, which had an aggregate carrying value at the end of the reporting period of approximately HK$69,615,000 (note 14) and HK$15,832,000 (note 15), respectively. The Group's bank loan of HK$18,216,000 and HK$3,525,000 are secured by the pledged deposit of HK$20,776,000 (note 22) held by the Group and a property held by a related party, respectively.

(b) As at 31 December 2009, the Group's bank loan of HK$34,072,000 was secured by:

(i) mortgages over the Group's property, plant and equipment, which had an aggregate carrying value at the end of the reporting period of approximately HK$39,047,000 (note 14);

(ii) a guarantee of a third party holding a pledged deposit of approximately HK$11,357,000 from the Group; and

(iii) a personal guarantee of Mr. Wang Ming Yan, a director of Harbin China Distillery.

The Group's bank loan of HK$18,626,000 and HK$3,407,000 were secured by the time deposit of HK$20,776,000 (note 22) held by the Group and a property held by a related party, respectively.

(c) The Group's bank and other borrowings are denominated in RMB and bear interest at fixed interest rates.

The directors believe that the Group will be able to negotiate for the renewal of the bank loans when they fall due.

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

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Group

	Fair value adjustments arising from acquisition of subsidiaries	
	2010	2009
	HK$'000	HK$'000
At 1 January	**14,917**	15,460
Acquisition of subsidiaries (note 31)	**12,978**	–
Deferred tax credited to the income statement during the year (note 10)	**(939)**	(543)
Exchange realignment	**226**	–
Gross deferred tax liabilities at 31 December	**27,182**	14,917

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26. DEFERRED TAX LIABILITIES (continued)

The Group has accumulated tax losses arising in Mainland China of HK$108,415,000 (2009: HK$71,195,000 as restated) that will expire in the next five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. DEFERRED INCOME

The table below presents the movements in deferred income:

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
At 1 January	**12,426**	13,029
Amortised during the year	**(468)**	(603)
Exchange realignment	**423**	–
At 31 December	**12,381**	12,426

The balance represents the government grant for construction of certain of the Group's production plants and decoration of wine and liquor specialty stores and has been accounted for as deferred income under non-current liabilities in the consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to the consolidated income statement over the expected useful lives of the relevant assets acquired.

28. SHARE CAPITAL

	2010	2009
	HK$'000	HK$'000
Authorised:		
4,000,000,000 (2009: 1,000,000,000) ordinary shares of HK$0.1 each	**400,000**	100,000
Issued and fully paid:		
1,145,446,263 (2009: 613,507,000) ordinary shares of HK$0.1 each	**114,545**	61,351

28. SHARE CAPITAL (continued)

During the year, the movements in share capital were as follows:

(a) Pursuant to an ordinary resolution passed on 26 May 2010, the authorised share capital of the Company was increased from HK$100,000,000 to HK$400,000,000 by the creation of 3,000,000,000 additional shares of HK$0.1 each, ranking pari passu in all respects with the existing shares of the Company.

(b) The subscription rights attaching to 20,383,000 share options were exercised at the subscription price of HK$0.288 and HK$0.19 per share (note 29), resulting in the issue of 20,383,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$5,831,000. An amount of HK$17,282,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(c) On 12 January 2010, 78,556,263 new shares of HK$0.1 each were issued for the acquisition of 100% equity interests in Rightsouth as detailed in note 2.2. On 7 September 2010, 60,000,000 new shares of HK$0.1 each were issued for the acquisition of 100% equity interests in KVHL as detailed in note 18. On 15 September 2010, 150,000,000 new shares of HK$0.1 each were issued for the acquisition of 100% equity interests in Power Range as detailed in note 31.

(d) On 25 January 2010, 103,000,000 new shares of HK$0.1 each were issued at HK$0.40 per share to the immediate holding company of the Company pursuant to a placing and subscription agreement. The net proceeds amounted to approximately HK$40,421,000. On 6 August 2010, 90,000,000 new shares of HK$0.1 each were issued at HK$0.48 per share to the immediate holding company of the Company pursuant to a placing and subscription agreement. The net proceeds amounted to approximately HK$42,493,000. On 15 December 2010, 30,000,000 new shares of HK$0.1 each were issued at HK$1.15 per share to the immediate holding company of the Company pursuant to a placing and subscription agreement. The net proceeds amounted to approximately HK$33,846,000. All these new shares rank pari passu in all respects with the existing shares.

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28. SHARE CAPITAL (continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2009	573,007,000	57,301	369,232	426,533
Share options exercised	4,500,000	450	5,641	6,091
Issue of shares	36,000,000	3,600	11,880	15,480
Share issue expenses	–	–	(477)	(477)
At 31 December 2009 and 1 January 2010	**613,507,000**	**61,351**	**386,276**	**447,627**
Share options exercised (b)	**20,383,000**	**2,038**	**21,075**	**23,113**
Issue of shares (c)(d)	**511,556,263**	**51,156**	**276,344**	**327,500**
Share issue expenses	**–**	**–**	**(2,140)**	**(2,140)**
At 31 December 2010	**1,145,446,263**	**114,545**	**681,555**	**796,100**

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 23 May 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

29. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer, and (iii) the nominal value of the Company's shares on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2010		2009	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.286**	**28,223**	0.288	32,123
Granted during the year	**0.77**	**38,620**	0.19	600
Exercised during the year	**0.286**	**(20,383)**	0.288	(4,500)
At 31 December	**0.69**	**46,460**	0.286	28,223

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.25 per share (2009: HK$0.59).

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29. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2010

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
2,660	**0.288**	**31-10-2008 to 30-10-2011**
4,980	**0.288**	**31-10-2009 to 30-10-2012**
100	**0.19**	**11-02-2009 to 10-02-2012**
100	**0.19**	**11-02-2010 to 10-02-2013**
4,260	**0.73**	**26-04-2011 to 25-04-2014**
4,260	**0.73**	**26-04-2012 to 25-04-2015**
3,400	**0.62**	**12-07-2011 to 11-07-2014**
3,400	**0.62**	**12-07-2012 to 11-07-2015**
11,650	**0.83**	**13-09-2011 to 12-09-2014**
11,650	**0.83**	**13-09-2012 to 12-09-2015**
46,460		

2009

Number of options '000	Exercise price* HK$ per share	Exercise period
10,308	0.288	31-10-2008 to 30-10-2011
17,315	0.288	31-10-2009 to 30-10-2012
300	0.19	11-02-2009 to 10-02-2012
300	0.19	11-02-2010 to 10-02-2013
28,223		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$18,494,000 (HK$0.48 each) (2009: HK$57,000, HK$0.10 each) of which the Group recognised a share option expense of HK$ 5,510,000 (2009: HK$6,035,000) during the year ended 31 December 2010.

29. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2010			2009
	Grant dates			
	26-04-2010	**12-07-2010**	**13-09-2010**	11-02-2009
Dividend yield (%)	**–**	**–**	**–**	–
Expected volatility (%)	**104.39 to 113.25**	**104.40 to 113.12**	**105.47 to 114.25**	98.22 to 104.44
Historical volatility (%)	**104.39 to 113.25**	**104.40 to 113.12**	**105.47 to 114.25**	98.22 to 104.44
Risk-free interest rate (%)	**1.686 to 2.063**	**1.234 to 1.498**	**0.891 to 1.179**	0.922 to 1.209
Expected life of options (year)	**4 to 5**	**4 to 5**	**4 to 5**	3 to 4
Weighted average share price (HK$ per share)	**0.73**	**0.62**	**0.83**	0.19

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 20,383,000 share options exercised during the year resulted in the issue of 20,383,000 ordinary shares of the Company and new share capital of HK$2,038,300 and share premium of HK$21,075,000 (before issue expenses), as further detailed in note 28 to the financial statements.

At the end of the reporting period, the Company had 46,460,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,460,000 additional ordinary shares of the Company and additional share capital of HK$4,646,000 and share premium of HK$27,367,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 46,460,000 share options outstanding under the Scheme, which represented approximately 4.1% of the Company's shares in issue as at that date.

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30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

The merger reserve of the Group represents the difference between the nominal value of the shares issued and the nominal value of shares of the subsidiaries acquired at the time of the group reorganisation on 29 December 2000 and 12 January 2010.

The other reserve of the Group represents the fair value of the contingent consideration for the acquisition of KVHL (note 18).

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.6 to the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2009		369,232	24,277	–	(164,251)	229,258
Issue of shares	28	11,880	–	–	–	11,880
Share issue expenses	28	(477)	–	–	–	(477)
Share options exercised	28	5,641	(4,795)	–	–	846
Equity-settled share option expense	29	–	6,035	–	–	6,035
Loss for the year		–	–	–	(14,289)	(14,289)
At 31 December 2009		**386,276**	**25,517**	**–**	**(178,540)**	**233,253**
Issue of shares	28	**276,344**	**–**	**–**	**–**	**276,344**
Share issue expenses	28	**(2,140)**	**–**	**–**	**–**	**(2,140)**
Share options exercised	28	**21,075**	**(17,282)**	**–**	**–**	**3,793**
Equity-settled share option expense	29	**–**	**5,510**	**–**	**–**	**5,510**
Contingent consideration		**–**	**–**	**22,800**	**–**	**22,800**
Loss for the year		**–**	**–**	**–**	**(13,238)**	**(13,238)**
At 31 December 2010		**681,555**	**13,745**	**22,800**	**(191,778)**	**526,322**

30. RESERVES (continued)

(b) Company (continued)

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.6 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

31. BUSINESS COMBINATION

On 15 September 2010, the Group acquired the 100% equity interests in Power Range from an independent third party (the "Power Range Acquisition"). Power Range and its subsidiaries (the "Power Range Group") are engaged in the distribution of alcoholic beverages in the PRC and hold the distribution rights of certain liquor brands. Further details of the Power Range Acquisition were set out in the circular of the Company dated 23 August 2010. The Power Range Acquisition was made as part of the Group's strategy to develop its downstream in alcoholic beverage business. The purchase consideration for the Power Range Acquisition was satisfied by the Company through the allotment and issue of 150,000,000 new shares of the Company at an issue price of HK$0.44 per share.

The fair values of the identifiable assets and liabilities of the Power Range Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	14	16,495
Other intangible assets	17	51,914
Inventories		6,006
Trade and other receivables		4,839
Cash and bank balances		990
Trade and other payables		(585)
Tax payables		(4,754)
Deferred tax liability	26	(12,978)
Total identifiable net assets at fair value		61,927
Goodwill on acquisition	16	64,073
		126,000
Satisfied by:		
Fair value of shares issued		126,000

31. BUSINESS COMBINATION (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$563,000 and HK$4,276,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$563,000 and HK$4,276,000, respectively.

The Group incurred transaction costs of HK$1,314,000 for this acquisition. These transaction costs have been expensed and included in administrative expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash and bank balances acquired	990
Net inflow of cash and cash equivalents included in cash flows from investing activities	990
Transaction costs of the acquisition included in cash flows used in operating activities	(1,314)
	(324)

Since its acquisition, the Power Range Group contributed HK$5,971,000 to the Group's turnover and HK$1,499,000 to the consolidated loss for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$442,751,000 and HK$112,507,000, respectively.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) As detailed in note 2.2, the purchase consideration for the Rightsouth Acquisition was satisfied by the allotment and issue of 78,556,263 new shares of the Company at an issue price of HK$0.471 per share.

(b) As detailed in note 18, the purchase consideration for the KVHL Acquisition was satisfied by the allotment and issue of 60,000,000 new shares of the Company at an issue price of HK$0.60 per share.

(c) As detailed in note 31, the purchase consideration for the Power Range Acquisition was satisfied by the allotment and issue of 150,000,000 new shares of the Company at an issue price of HK$0.44 per share.

33. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 25 to the financial statements.

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Within one year	**3,541**	3,372	**270**	270
In the second to fifth years	**5,181**	4,941	**–**	–
	8,722	8,313	**270**	270

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Trademarks	**–**	2,272
Plant and machinery	**596**	–
	596	2,272

36. RELATED PARTY TRANSACTIONS AND BALANCES

(a) The Group had the following transactions with related parties during the year:

	Group	
	2010	2009
	HK$'000	HK$'000 (Restated)
Rental paid to companies which have common directors with the Company	**1,140**	990

The office and warehouse rental expenses were made according to market prices.

36. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Other transactions with related parties

(i) During the year, the Group acquired 100% equity interests in Rightsouth from a related party at a consideration of HK$37,000,000 (note 2.2). This transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules at the time of acquisition.

(ii) During the year, the Group's bank loan of HK$3,407,000 was secured by a property held by Guangzhou TianTian Friendship Co., Ltd. ("Guangzhou TianTian"), a company which has a common director with the Company.

(c) Outstanding balances with related parties:

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Due from related parties		
Guangzhou Wine and Liquor Distribution Co., Ltd.*	**457**	583
Hainan BAPP Bio-Technology Limited Company **	**70**	263
	527	846
Due to a non-controlling shareholder of a subsidiary #	**31,730**	34,072
Due to related parties		
Guangzhou TianTian **	**10,429**	9,329
Shanghai Moulin International Ltd.**	**5,403**	–
	15,832	9,329

* Company which is controlled by the non-controlling shareholder of GZ Wine.

** Company which has a common director with the Company.

The directors believe that the Group will be able to negotiate for the deferral of repayments when they fall due.

These balances are unsecured, interest-free, have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

36. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Compensation of key management personnel of the Group

	2010 HK$'000	2009 HK$'000
Short term employee benefits	**905**	2,120
Post-employment benefits	**10**	10
Equity-settled share option expense	**1,929**	3,801
Total compensation paid to key management personnel	**2,844**	5,931

Further details of directors' emoluments are included in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Group		Company	
	2010 Loans and receivables HK$'000	2009 Loans and receivables HK$'000 (Restated)	**2010 Loans and receivables HK$'000**	2009 Loans and receivables HK$'000
Trade receivables	**10,531**	3,325	**–**	–
Financial assets included in prepayments, deposits and other receivables	**6,199**	15,027	**63**	63
Due from subsidiaries	**–**	–	**315,271**	86,296
Due from related parties	**527**	846	**–**	–
Cash and cash equivalents	**38,098**	15,201	**11,872**	1,919
	55,355	34,399	**327,206**	88,278

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37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Group	
	2010	2009
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000 (Restated)
Trade payables	**19,491**	8,937
Financial liabilities included in other payables and accruals	**69,776**	92,228
Interest-bearing bank and other borrowings	**65,781**	82,909
Due to related parties	**15,832**	9,329
Due to a non-controlling shareholder of a subsidiary	**31,730**	34,072
	202,610	227,475

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due from/to related parties, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised as follows:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to short term borrowings with fixed rates. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for certain bank balances denominated in Hong Kong dollars and United States dollars. The Group has not hedged its foreign exchange rate risk.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and the Group's equity due to changes in the fair value of monetary assets and liabilities.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in equity* HK$'000
2010		
If HK$ weakens against RMB	**5**	**6,661**
If HK$ strengthens against RMB	**(5)**	**(6,661)**
2009 (Restated)		
If HK$ weakens against RMB	5	9,472
If HK$ strengthens against RMB	(5)	(9,472)

* Excluding accumulated losses

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are analysed by counterparty by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 20 and note 21 to the financial statements.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans.

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

Group	2010		2009	
	Within 1 year HK$'000	Total HK$'000	Within 1 year HK$'000 (Restated)	Total HK$'000 (Restated)
Trade payables	19,491	19,491	8,937	8,937
Financial liabilities included in other payables and accruals	69,776	69,776	92,228	92,228
Interest-bearing bank and other borrowings	65,781	65,781	82,909	82,909
Due to related parties	15,832	15,832	9,329	9,329
Due to a non-controlling shareholder of a subsidiary	31,730	31,730	34,072	34,072
	202,610	202,610	227,475	227,475

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group's policy is to maintain an optimal capital structure which reduces cost of capital. Net debt includes trade payables, other payables and accruals, interest-bearing bank and other borrowings, amounts due to related parties and a non-controlling shareholder of a subsidiary. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group	**2010**	2009
	HK$'000	HK$'000
		(Restated)
Interest-bearing bank and other borrowings	**65,781**	82,909
Trade payables	**19,491**	8,937
Other payables and accruals	**75,765**	102,146
Due to related parties	**15,832**	9,329
Due to a non-controlling shareholder of a subsidiary	**31,730**	34,072
Less: Cash and cash equivalents	**(38,098)**	(15,201)
Net debt	**170,501**	222,192
Capital	**439,179**	214,736
Capital and net debt	**609,680**	436,928
Gearing ratio	**28%**	51%

39. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of AG 5 during the current year, certain comparative amounts of the consolidated financial statements of the Group have been restated as if the Rightsouth Acquisition had occurred at the beginning of the year ended 31 December 2009 and a third consolidated statement of financial position as at 1 January 2009 has been presented.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2011.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Revenue					
Continuing operations	**439,177**	103,939	112,486	113,187	74,622
Discontinued operations	**–**	–	–	98,641	167,420
	439,177	103,939	112,486	211,828	242,042
Loss before tax	**(113,213)**	(60,681)	(130,545)	(34,251)	(5,978)
Income tax expense	**938**	543	8,138	127	–
Loss for the year					
Continuing operations	**(112,275)**	(60,138)	(122,407)	(34,124)	(5,978)
Discontinued operations	**–**	–	–	(5,271)	(25,880)
	(112,275)	(60,138)	(122,407)	(39,395)	(31,858)
Attributable to:					
Owners of the parent	**(105,012)**	(51,824)	(109,647)	(34,797)	(25,934)
Non-controlling interests	**(7,263)**	(8,314)	(12,760)	(4,598)	(5,924)
	(112,275)	(60,138)	(122,407)	(39,395)	(31,858)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**758,959**	529,144	541,958	464,837	186,609
TOTAL LIABILITIES	**(254,136)**	(266,004)	(262,244)	(99,665)	(157,749)
NON-CONTROLLING INTERESTS	**(65,644)**	(48,404)	(56,718)	(64,766)	(14,315)
	439,179	214,736	222,996	300,406	14,545