



# HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00969)

## ANNUAL REPORT 2010

# Contents

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. SHIH Chian Fang *(Chairman)*
Mr. HAN Hong
Mr. XIAO Longlong
Mr. HU Yebi

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. ZHENG Liu
Mr. YU Chi Jui
Ms. LI Xiao Wei

## COMPANY SECRETARY

Mr. WAN Hok Shing, *FCPA, FCCA, CICPA, ACS, ACIS*

## REGISTERED OFFICE

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2513A, 25th Floor
113 Argyle Street
Mongkok
Kowloon
Hong Kong

## AUDITORS

HLM & Co.
Certified Public Accountants

## PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Harbour Trust Co. Ltd.
One Capital Place
P.O. Box 1787
Grand Cayman
Cayman Islands
British West Indies

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

## WEBSITE

http://finance.thestandard.com.hk/en/0969hualien

## BUSINESS REVIEW

For the year ended 31st December 2010, the Group recorded turnover from continuing operations of approximately HK$205,767,000 (2009: HK$154,317,000). The increase in turnover from continuing operations was mainly benefited from accelerating growth in the Madagascar where one of the customers has begun its full production this year. There was an approximately HK$43 million increase in sales of fertilizers and an approximately HK$16 million increase in farm machinery during the year. The gross profit from continuing operations of HK$84.8 million was close to prior year's HK$87.3 million. The gross profit ratio was 41.2% (2009: 56.6%) and the fall in overall gross profit margin was mainly resulting from the customers in African countries, facing price pressure from its customers in European countries under the shadow of the European debt crisis, passed the price pressure up chain causing the average price to decrease. The profit from operations was approximately HK$12.8 million, up from a loss of approximately HK$44.2 million, which showed a marked improvement in operational performance from continuing operations from prior year. The profit from operations was mainly caused by the reduction of other expenses of approximately HK$66.7 million. After deducting the effective interest expense on convertible notes of approximately HK$41.5 million (2009: HK$33.1 million), the continuing operations recorded a net loss of approximately HK$28.7 million (2009: HK$77.3 million). The basic loss per share from continuing operations for the year ended 2010 was HK2.30 cents (2009: HK6.83 cents).

The turnover from discontinued operations of approximately HK$21,920,000 (2009: HK$246,128,000). The decreased was mainly due to the discontinued operations only accounted for two months results up to its disposal on 28th February 2010 and leather demand remains weak during that period. The net profit from discontinued operations for the period was approximately HK$67.4 million (2009: net loss of HK$98.7 million). The basic earnings per share from discontinued operations for the year was HK5.33 cents (2009: Basic loss per share of HK8.99 cents). The profit from discontinued operations was mainly resulting from the gain on disposal of leather operations of approximately HK$76.9 million and the gross loss from leather operations of approximately HK$8.3 million as a result of the weak leather demand in overseas markets, soaring price on raw materials for leather and the decrease in economy of scales causing the increase in per-unit leather manufacturing cost.

For the segment result, the continuing operations of supporting services to sweetener and ethanol business recorded revenue of approximately HK$205.8 million which represented approximately 90.4% of total revenue of the Group and contributed an operating profit of approximately HK$41.3 million during the year. While, the discontinued operations of leather business recoded revenue of approximately HK$21.9 million which represented approximately 9.6% of total revenue of the Group and recorded an operating loss of approximately HK$8.8 million during the year. Overall, the Group recorded a profit for the year of approximately HK$38.7 million from continuing and discontinued operation, up from a loss of approximately HK$176.1 million. The improved performance was mainly driven by the positive impact on disposal of the loss-making leather operations.

## DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31st December 2010 and 2009.

## PROSPECTS

Looking ahead, the sales orders of supporting services for sweetener and ethanol business from our customers in African countries expects to be stable for first half of the year following the improvement in fundamentals in country economy of their customers in European countries and coupled with high agricultural commodities price encouraging more their production.

Following the disposal of the loss-making leather business on 28th February 2010, the operation of the Group has been more streamlined and the resources can fully concentrate on expanding the supporting services for sweetener and ethanol business and its upstream developments. The initial works for the ethanol biofuel joint venture with China Africa Development Fund and COMPLANT International Sugar Industry Co., Ltd. are progressing. This is an important investment as it will establish a platform from which the Group would profitably grow. The Board is also assessing the feasibility of other expansion plans in other countries and continues to evolve into integrated supply chains. We believe our business model is capable of creating value for all stakeholders.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

Bank deposits and cash balances of continuing operations as at 31st December 2010 amounted to approximately HK$306,141,000 (2009: HK$166,041,000), mainly denominated in Hong Kong Dollars and United States Dollars.

Total equity of the Group as at 31st December 2010 amounts to approximately HK$491,539,000 (2009: HK$487,086,000).

The Group financed its operation with cash flow generated internally. The bank balances were placed in short term deposits with major banks in Hong Kong.

As at 31st December 2010, the Group's total borrowings consisted of the outstanding five-year zero-coupon Hong Kong-dollar convertible notes of continuing operations of approximately HK$501.4 million (2009: HK$459.9 million). The debt to equity ratio of the Group as at 31st December 2010 calculated as a ratio of total borrowings (including convertible notes) to total equity was approximately 102.0% (2009: 115.6%). The decrease resulted from derecognition of bank borrowings of approximately HK$103 million belonging to discontinued operations upon completion of its disposal on 28th February 2010. All the Group's borrowings as at 31st December 2010 were denominated in Hong Kong Dollars.

### Capital Structure

There was no change in capital structure for the year ended 31st December 2010.

## FINANCIAL REVIEW (Cont'd)

### Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. When considered appropriate the Group will hedge against currency exposure as well as interest rate exposure.

The Group did not use any derivative financial instruments to hedge for its risk exposure during the year ended 31st December 2010 and 2009.

### Foreign Exchange exposure

The sales and purchases of the Group during the year are mainly denominated in the same currency of United States Dollars. Hence, the Group's exposure to foreign exchange risk arising from sales and purchases is expected to be minimal. The use of financial instruments for hedging purposes is not considered necessary.

The Group manages the currency exposure arising from net assets of foreign operations of the Group primarily through financing denominated in the relevant foreign currencies. The Group did not use any derivative financial instruments to hedge for its foreign exchange risk exposure on net assets during the year ended 31st December 2010.

### Contingent Liabilities

At the end of reporting period, the Company had not provided any guarantees in favour of any third party nor were there any significant contingent liabilities.

### Pledge of Assets

No assets of the Group had been pledged as at 31st December 2010.

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### Capital Commitment

As at 31st December 2010, the Group did not have any significant capital commitments.

### Significant Investment Held

The Group had not made any significant investment during the years ended 2010 and 2009.

## FINANCIAL REVIEW (Cont'd)

### Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Company disposed the entire issued share capital of Hua Lien Group (Holding) Company, Limited and the shareholder's loan, which engaged in manufacturing and trading of leather. The total consideration payable for the disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of the sales shares and the balance of approximately of HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates or jointly-controlled entities during the year under review.

### Future plans for material investments and capital assets

Reference is made to circular dated 22nd November 2011, unless otherwise defined, capitalized terms used herein shall have the same meaning as defined in this circular, the Company entered into (i) the JV Agreement with CADFund, COMPLANT, River Right and Zheng Da pursuant to which CADFund, COMPLANT and River Right have conditionally agreed to form a joint venture using Zheng Da as the vehicle to carry on the Ethanol Biofuel Business in Benin, and that CADfund, COMPLANT and River Right shall contribute capital in an aggregate amount of US$23,720,000 by way of share capital and shareholders' loan in the proportion of 25%, 10% and 65% respectively; (ii) the Shares Subscription Agreement with CADFund pursuant to which the Company has conditionally agreed to issue and CADFund has conditionally agreed to subscribe for 90,000,000 Subscription Shares at the Subscription Price of HK$0.60 per Share, which represent approximately 7.21% of the existing issued share capital of the Company as at the end of the reporting period and approximately 6.72% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares; and (iii) the CN Subscription Agreement with CADFund pursuant to which the Company has conditionally agreed to issue and CADFund has conditionally agreed to subscribe for the Convertible Notes in the principal amount of HK$24,000,000 convertible into Shares at a Conversion Price of HK$0.60 per Share. The outstanding principal amount of the Convertible Notes is repayable on the fifth (5th) anniversary from the date of issue of the Convertible Notes. The Conversion Shares represent approximately 3.20% of the existing issued share capital of the Company as at the end of the reporting period and approximately 3.10% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Transaction had been approved by the Independent Shareholders at the EGM. The initial works for fulfilling the condition precedent for the Transaction are underway and the Transaction is yet completed as at the end of the reporting report.

## FINANCIAL REVIEW (Cont'd)

**Future plans for material investments and capital assets** (Cont'd)

Save as aforesaid, at any time on or prior to the third anniversary of the date of the CN Subscription Agreement, subject to entering into a definitive joint venture agreement(s) among the Company, CADFund and COMPLANT in relation to the establishment of Other JVs, CADFund shall be entitled, but not obligated, to require the Company to issue to it (or its nominee(s)) additional convertible note(s) up to an aggregate principal amount of HK$312,000,000 (the "Further Subscription"), which are to be secured by the Company's interest in Other JVs and any other securities requested by CADFund and agreed by the Company. If CADFund elects to participate in the Further Subscription, each of the Company and CADFund agrees that it shall enter into a subscription agreement substantially in the form of the CN Subscription Agreement to effectuate the Further Subscription. Save as aforesaid and for the Conversion Price as already agreed under the MOU, no legally binding agreement has been entered into on the Further Subscription or on any of its terms or conditions as at the end of the reporting period.

**Employees and Remuneration Policy**

At 31st December 2010, the Group employed 53 full time management, administrative and operation staff in Hong Kong and the PRC (2009: 397).

The Group's emolument policies are formulated on the bases of individual performance and the salary trend in the various regions, and are reviewed every year. The Company has set up share options plan as an incentive to directors and eligible employees.

**Shih Chian Fang**
*Chairman*
Hong Kong, 25th March 2011

# Profile of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. SHIH Chian Fang**, aged 50, was appointed Chairman of the Company in March 2006 and as Executive Director in May 2001. He is also the general manager of the Group. Mr. Shih has over 26 years of experience in the tannery business. He joined the Group in October 1992.

**Mr. HAN Hong**, aged 47, was appointed as Executive Director in May 2009. Mr. Han is also the Deputy General Manager and Director of Sino-Africa Technology & Trading Limited (the "SATT"), appointed since December 2007 and March 2009 respectively, a wholly owned subsidiary of the Company and the Director of Sino-Africa Technology & Trading (Hong Kong) Limited, appointed since March 2009, a wholly owned subsidiary of the Company. Mr. Han holds a Bachelor of Engineering from Anhui Institute of Technology majored in Mechanical Technology and Equipment. Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China granted Mr. Han the title of Senior Engineer in International Commercial Project in December 1996. Mr. Han has over 27 years experience in project engineering, investment and general management. Mr. Han began his career at China National Complete Plant Import and Export Corporation (Group) (formerly known as China National Complete Plant Export Corporation) ("CHINA COMPLANT"), a central-government conglomerate, as a Project Manager in Spare Parts Department in August 1984. Later, Mr. Han promoted as the Deputy Division Chief in COMPLANT from January 1993 to November 1994. After, Mr. Han seconded to Zina Enterprise (PVT) Ltd in Zimbabwe, a subsidiary of CHINA COMPLANT, as the Managing Director from November 1994 to January 1998. Thereafter, Mr. Han transferred back to CHINA COMPLANT as the General Manager in Investment Management Department from April 1998 to November 2007 and also appointed as the Chairman of Yunnan Yuanjiang Ever Green Biology (Group) Co., Ltd., a subsidiary of CHINA COMPLANT, from March 2000 to January 2004.

**Mr. XIAO Longlong**, aged 58, was appointed as Executive Director in January 2010. Mr. Xiao graduated from Ji Lin Financial & Commerce Institute with a Bachelor's Degree in Economics. He is designated accountant. Mr. Xiao is also general manager of SATT. Mr. Xiao also serves as the vice president of CHINA COMPLANT, a position he has held since November 1998 and appointed on November 2007 as director and general manager of COMPLANT International Sugar Industry Co., Ltd. which is subsidiary of CHINA COMPLANT and a substantial shareholder of the Company since November 2007. He joined CHINA COMPLANT in 1982 and attained the Chief of Financial Department of CHINA COMPLANT before transferred to Complant California Company Ltd, a subsidiary of CHINA COMPLANT in USA, as the general manager form November 1992 to May 1998 and was promoted as assistant president of CHINA COMPLANT from May 1998 to November 1998 and was appointed as vice president of CHINA COMPLANT on November 1998. Mr. Xiao has over 21 years of finance and management experience.

## DIRECTORS (Cont'd)

**Mr. HU Yebi**, aged 47, was appointed as Executive Director in December 2010. Mr. Hu received his MBA from International Management School of the Netherlands in Delft, Holland and Postgraduate Diploma in Management Engineering from Beijing Institute of Technology in Beijing, China. Mr. Hu has more than 21 years' experience in securities and financial services, merger and acquisition and corporate finance. Mr. Hu is a licensed person registered under the SFO to carry on regulated activities on Dealing in Securities and Advising on Corporate Finance, and Mr. Hu is currently the responsible officer of Vision Finance International Company Limited, a registered institution licensed to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) of the regulated activities under the SFO. Prior to that, Mr. Hu was the managing director, equity capital markets of DBS Asia Capital Ltd, a subsidiary of DBS Bank Limited (previously known as the Development Bank of Singapore Ltd.) from 14th March 1994 to 15th March 2002. Between 16th March 2002 to 22nd January 2005, Mr. Hu was the founder and chairman of Partners Capital International Limited. From 1st July 2006 to present, Mr. Hu is the founder and chairman of Vision Finance Group Limited, the holding company of Vision Finance International Company Limited. For other listed company and public employment positions previously held, Mr. Hu was an independent non-executive director from 9th May 2005 to 8th May 2006 of VST Holdings Limited, a company listed on Main Board of the Stock Exchange under Stock Code of 856 and Mr. Hu was also appointed as a part-time member of Central Policy Unit of The Government of the Hong Kong from 1st January 2008 to 31st December 2009.

### Independent non-executive Directors

**Dr. ZHENG Liu**, aged 36, was an Independent Non-Executive Director and the Chairman of the Remuneration Committee and the Audit Committee of the Company. Dr Zheng joined the Company in July 2007. She received her Ph.D. degree in accounting from University of Southern California in 2003 and her bachelor degree in accounting from Shanghai University of Finance and Economics in 1996. Dr. Zheng is an assistant professor in the School of Business at the University of Hong Kong and a member of American Accounting Association.

**Mr. YU Chi Jui**, aged 56, was an Independent Non-Executive Director and a member of the Remuneration Committee and the Audit Committee of the Company. Mr. Yu joined the Company in May 2001. He has over 21 years experience in sales and marketing in Taiwan and the PRC.

**Ms. LI Xiao Wei**, aged 39, was an Independent Non-Executive Director and a member of the Remuneration Committee and the Audit Committee of the Company. Ms. Li joined the Company in September 2004. She has over 10 years experience in sales and marketing in the PRC.

## SENIOR MANAGEMENT

**Mr. WAN Hok Shing**, aged 44, is the Financial Controller and Company Secretary of the Group. He is responsible for the overall financial reporting, corporate finance and compliance matters of the Group. Mr. Wan has over 18 years of experience in corporate finance, listing compliance, accounting and auditing. Prior to joining the Group in August 1999, he held a senior finance position in another Main Board listed company and worked at one of the big four international accounting firms for about five years. Mr. Wan was in charge of the Group's initial public offering on the Main Board in 2000 and he also assisted the Group in a series of subsequent financial activities including fund raising, acquisition and corporate restructuring etc. Mr. Wan is currently a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an Associate Member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and a Member of The Chinese Institute of Certified Public Accountants. He has completed Level I of the Chartered Financial Analyst (CFA) Examination. Mr. Wan also holds a Bachelor's Degree with Honours in Hospitality Management from the Hong Kong Polytechnic University and a Diploma of Legal Studies with distinction from the University of Hong Kong.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December 2010.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 31 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2010 are set out in the consolidated statement of comprehensive income on page 25.

The directors do not recommend the payment of any dividend in respect of the year ended 31st December 2010.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 80.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$0.3 million for the purpose of expanding its business. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The company's reserves available for distribution consisted of contributed surplus of approximately HK$468,576,000 (2009: HK$468,576,000) that offset the accumulated losses of approximately HK$570,333,000 (2009: HK$574,750,000). There were no net distributable reserves available as at 31st December 2010 and 2009.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 92% of the Group's turnover and the Group's largest customer accounted for approximately 55% of the Group's turnover.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 98% of the Group's purchases and the Group's largest supplier accounted for approximately 90% of the Group's purchases.

Other than as disclosed under the section "Continuing Connected Transactions", at no time during the year did a director, an associate of a director or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

**Executive directors :**

Mr. Shih Chian Fang
Mr. Han Hong
Mr. Xiao Longlong (appointed on 7th January 2010)
Mr. Hu Yebi (appointed on 16th December 2010)

**Independent non-executive directors:**

Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Hu Yebi, Dr. Zheng Liu and Ms. Li Xiao Wei will be retired from the office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The terms of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Profiles of Directors and Senior Management" on pages 8 to 9 of this annual report.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2010, the interests of the directors and their associates in the ordinary shares in the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Companies, were as follows;

**Long position**

| | Number of ordinary shares held | | | | |
|---|---|---|---|---|---|
| **Name of director** | **Beneficial Owner** | **Held by Spouse** (Note) | **Held by controlled corporation** (Note) | **Total** | **Approximate % of the issued share capital** |
| Mr. Hu Yebi | – | 3,448,000 | 212,495,083 | 215,943,083 | 17.29% |

Note: Mr Hu Yebi and his spouse, Ms Li Ling Xiu are deemed (by virtue of the SFO) to be interested in 340,943,083 Shares, among these 340,943,083 shares, as to 3,448,000 Shares held by Li Ling Xiu and as to 212,495,083 shares and also as to 125,000,000 shares convertible from convertible notes of principal amount of HK$75,000,000 held by Hollyview International Limited, a company beneficially owned by Mr. Hu Yebi.

Save as disclosed above, none of the directors or their associates had any interests or short positions in any securities of the Company or any of its associated corporation as at 31st December 2010.

## SHARE OPTIONS

### 2000 Share Option Scheme

The Company's 2000 Share Option Scheme was adopted pursuant to a resolution passed on 4th January 2000 and has terminated by a resolution passed by shareholders on 20th September 2007.

During the year ended 31st December 2010, there are no option was granted since adoption under the terminated 2000 share option scheme.

### 2007 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2007 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 20th September 2007. The purpose of the 2007 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees, directors, consultants and advisers of the Group and to promote the success of the Group. The details of the 2007 Share Option Scheme as pursuant to the Listing Rules, are set out in the Company's circular dated 3rd September 2007.

As at the end of reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

Particulars of the Company's share option schemes are set out in note 28 to the consolidated financial statements,

## UNLISTED WARRANTS

On 4th October 2007, the Company issued 164,736,000 unlisted warrants at HK$0.03 each, the gross proceeds of approximately HK$4,942,000 is raised and included in the warrant reserves. Each of the warrant have subscription right to subscribe for one subscription share of the Company at an subscription price of HK$0.6, subject to adjustment, for a exercise period of four years from 4th October 2007 to 3rd October 2011.

None of such warrants were ever exercised since the date of issue. At the end of reporting period, the Company had outstanding 164,736,000 unlisted warrants to be exercised before 3rd October 2011. Exercised in full of such warrants would result in the issue of 164,736,000 additional ordinary shares.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

Apart from the interest of the Directors in shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors interest in Securities", the register kept under section 336 of the SFO shows that as at 31st December 2010 the Company has been notified of the following interest in the shares of the Company.

**Long position**

| Name | Nature of interests and capacity in which interest are held | | | |
|---|---|---|---|---|
| | Beneficial owner (Note 1) | Held by controlled corporation | Total | Approximate % of the issued share capital |
| COMPLANT International Sugar Industry Co., Ltd. (the "COMPLANT") (Note 2) | 300,000,000 | – | 300,000,000 | 24.03 |

Note 1: In addition to the 300,000,000 Shares, COMPLANT holds convertible notes of principal amount HK$533.7 million convertible into 889,500,000 Shares representing 71.24% of the issued capital of the Company.

Note 2. State-owned Assets Supervision and Administration Commission holds 100% of the State Development & Investment Corporation which holds 100% of CHINA COMPLANT which in turn holds 70% in COMPLANT.

## CONTINUING CONNECTED TRANSACTIONS

(a) As disclosed in circular dated 23rd January 2009, SATT, a wholly owned subsidiary of the Company had entered four supply and service agreements dated 15th December 2008 for an initial term of three years with four subsidiaries of COMPLANT, a substantial shareholder of the Company. This continuing connected transaction and the subsequent increase of its annual caps as disclosed in circular dated 22nd November 2010 had been approved by independent shareholders of the Company on 20th February 2009 and 8th December 2010 respectively, the total amount of transaction with the four subsidiaries of COMPLANT during the year was about HK$206 million which was within the annual cap of about HK$210 million.

(b) As disclosed in circular dated 23rd January 2009, SATT had entered a supply and service agreements dated 15th December 2008 for an initial term of three years with substantial shareholder of COMPLANT. This continuing connected transaction and the subsequent increase of its annual caps as disclosed in circular dated 22nd November 2010 had been approved by independent shareholders of the Company on 20th February 2009 and 8th December 2010 respectively. The total amount of transaction with substantial shareholder of COMPLANT during the year was about HK$113 million which was within the annual cap of about HK$130 million.

(c) As disclosed in circular dated 23rd January 2009 and announcement on 8th November 2010, SATT had entered office tenancy agreements dated 15th December 2008 and 30th December 2009 with substantial shareholder of COMPLANT for an initial term of three years and two years respectively. As the applicable percentage ratio of the Company in respect of the aggregate annual rentals and management fees payable by SATT under the Tenancy Agreements is less than 0.1%, the Tenancy Agreements are exempted from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The total amount of rental and management fee paid to substantial shareholder of COMPLANT during the year was about HK$860,000.

All the Continuing Connected Transactions above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that for the year ended 31st December 2010 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to (or from) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors and confirmed that for the year ended 31st December 2010 the Continuing Connected Transactions (i) have received approval of the Board of Directors of the Company; (ii) are in accordance with the pricing policies of the Company, where applicable; (iii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iv) have not exceeded the respective cap amounts for the year ended 31st December 2010 as set out above in respect of each of the Continuing Connected Transactions.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December 2010.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## EMOLUMENT POLICY

The Remuneration Committee reviews the Group emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating result, individual performance and comparable market statistics.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out as "Share Options" above.

## CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

## AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive directors. Dr. Zheng Liu is the Chairman of the Committee. Summary of duties and works of the Committee is set out in the "Corporate Governance Report" in this annual report.

## REMUNERATION COMMITTEE

Pursuant to the requirement of the Code of Corporate Governance Practices (the "Code"), the Board has established the Remuneration Committee on 1st January 2005. The Remuneration Committee comprises all three independent non-executive directors. Dr. Zheng Liu is the Chairman of the Committee. Summary of duties and works of the Committee is set out in the "Corporate Governance Report" in this annual report.

## AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. HLM & Co. as auditors of the Company.

On behalf of the Board

**Han Hong**
*Executive Director*

Hong Kong, 25th March 2011

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

During the financial year ended 31st December 2010, the Company complied with the Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules'), except for certain areas of non-compliance that are discussed later in this report.

## A. DIRECTORS

### A.1 The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Company's affairs. The Board sets strategies for the Group and monitors the performance of the management.

During the financial year ended 31st December 2010, the board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

| Name of Director | Number of attendance |
|---|---|
| Mr. Shih Chian Fang | 4/4 |
| Mr. Han Hong | 4/4 |
| Mr. Xiao Longlong | 4/4 |
| Mr. Hu Yebi (appointed on 16th December 2010) | – |
| Mr. Liaw Yuan Chian (resigned on 16th December 2010) | 4/4 |
| Dr. Zheng Liu | 4/4 |
| Mr. Yu Chi Jui | 4/4 |
| Ms. Li Xiao Wei | 4/4 |

### A.2 Chairman and Managing Director

The Company segregates the role of Chairman from the Managing Director who also assumes the responsibilities of chief executive officer. Mr. Shih Chian Fang is the Chairman of the Company and Mr. Liaw Yuan Chian was the Managing Director till his resignation on 16th December 2010. The Company has not refilled this position yet that calls for an exhaustive scrutiny in the selection. In the meantime, the Chairman continue to manage and provide leadership to the Board in terms of overall strategies and business directions of the Group whereas Managing Director now become a rank temporarily shared by the Executive Directors, other than the Chairman, who is responsible for policy making and corporate management. The Company remains structured to ensure appropriate segregation of duties so that power is not concentrated in any one individual.

### A.3 Board composition

The Board comprises four Executive Directors, being Mr. Shih Chian Fang (Chairman of the Board), Mr. Han Hong, Mr. Xiao Longlong and Mr. Hu Yebi, and three Independent Non-Executive Directors, being Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei. The profiles of the Directors, which are set out on pages 8 to 9, demonstrate a balance of skills and experience of the Board.

## A. DIRECTORS (Cont'd)

### A.3 Board composition (Cont'd)

One independent non-executive director possesses recognized professional qualifications in accounting. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

### A.4 Appointment, re-election and removal

The Code provision A.4.1 provides that non-executive director should be appointed for a specific term, subject to re-election. None of the existing independent non-executive directors of the Company is appointed for a specific term. However, all the independent non-executive directors are subject to retirement by rotation at each annual general meeting under the Articles of Association of the Company. As such, the company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The Company currently does not have a nomination committee. To maintain high quality of the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become Directors when necessary. The Board will consider the experience, qualification and other relevant factors, including the standards set out in rules 3.08 and 3.09 of the listing Rules and rule 3.13 of the Listing Rules in case of independent non-executive directors, of the eligible candidates.

### A.5 Responsibilities of directors

The newly appointed director have received a comprehensive formal induction on the first occasion of his appointment and the directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the Board Meetings. They bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interest arise in connected transaction. They are also members of Audit Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

## A. DIRECTORS (Cont'd)

### A.6 Supply of and access of information

In respect regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

## B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### B.1. The level and make-up of remuneration and disclosure

The Remuneration Committee of the Company was established in January 2005. The Remuneration Committee comprised the three Independent Non-executive Directors. Dr. Zheng Liu is the Chairman of the Remuneration Committee.

The primary function is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The Remuneration Committee adopted the Code Provision B.1.3 to be the terms of reference.

During the year, the Remuneration Committee has held one committee meeting. The attendance of the Remuneration Committee members at the Remuneration Committee meeting was as follows:

| Name of Member | Number of attendance |
|---|---|
| Dr. Zheng Liu | 1/1 |
| Mr. Yu Chi Jui | 1/1 |
| Ms. Li Xiao Wei | 1/1 |

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after the meeting. For the financial year ended 31st December 2010, the Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package executive directors by reference to the prevailing packages with companies listed on the main board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements.

## C. ACCOUNTABILITY AND AUDIT

### C.1 Financial reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statement on a going concern basis.

The responsibility of the external auditors, Messrs. HLM & Co., is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company and for no other purpose.

### C.2 Internal Control

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Audit Committee, the Board has reviewed the effectiveness of the system of internal control of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

### C.3 Audit Committee

The Audit Committee comprised the three Independent Non-Executive Directors of the Company. The chairman of the Audit Committee is Dr. Zheng Liu who possesses extensive knowledge in accounting and financial matters.

The Audit Committee is mainly responsible for providing an independent review and supervision of the Group's financial reporting process and internal control system. The terms of reference are reviewed to include the provisions referred in Code Provision C.3.3.

During the year, the Audit Committee held two meetings. The attendance of the Audit Committee members at the Audit Committee meetings was as follows:

| Name of Member | Number of attendance |
|---|---|
| Dr. Zheng Liu (Chairman of the Audit Committee) | 2/2 |
| Mr. Yu Chi Jui | 2/2 |
| Ms. Li Xiao Wei | 2/2 |

## C. ACCOUNTABILITY AND AUDIT (Cont'd)

### C.3 Audit Committee (Cont'd)

The following was a summary of the work performed by the Audit Committee in 2010:

1. review the financial statements for the year ended 31st December 2009 and the annual results announcement with a recommendation to the Board for approval; and

2. review the financial statements for the six months period ended 30th June 2010 and the interim results announcement with a recommendation to the Board for approval.

At the Audit Committee meeting on 24th March 2011, the Audit Committee reviewed the Company's financial statements for the year ended 31st December 2010 and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommend the re-appointment of Messrs. HLM & Co. as external auditors of the Group for 2011 and that the relevant resolution shall put forth for the consideration of the shareholders of the Company and their approval at the 2011 annual general meeting of the Company.

### C.4 Fee paid/payable to Group's auditors

For the financial year ended 31st December 2010, the fee paid/payable to the Group's auditors, HLM & Co. is set out as follows:

| | HK$'000 |
|---|---|
| Services rendered | |
| – audit services | 380 |
| – non-audit services | – |
| | 380 |

## D. DELEGATION BY THE BOARD

### D.1 Management functions

The board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for the different aspects of the operations of the Group.

### D.2. Board committees

The Company has maintained the Audit Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference, which deal clearly with their authority and duties. The chairman of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

## E. COMMUNICATION WITH SHAREHOLDERS

### E.1 Effective communication

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board has attended at the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

The notice of annual general meeting is sent to the shareholders of the Company at least 20 clear business days before the meeting and at least 10 clear business days before extraordinary general meeting.

The Code provision E.1.2 provides the chairman of the independent board committee should be available to answer questions at any general meeting to approve a connected transaction or other transactions that was subject to independent shareholders' approval. Dr. Zheng Liu, the chairman of the independent board committee, did not attend this extraordinary general meeting held on 8th December 2010 due to other business engagement. Her delegate was present at this extraordinary general meeting to answer the shareholders' questions.

### E.2 Voting by poll

The right to demand a poll was set out in the circular to shareholders of the Company will be dispatched in April for 2011 Annual General Meeting held in June 2011.

恒健會計師行
HLM & Co.
Certified Public Accountants

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2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
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E-mail 電郵: hlm@hlm.com.hk

**TO THE MEMBERS OF HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Hua Lien International (Holding) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 79, which comprise the consolidated statement of financial position as at 31st December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give 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 the 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

## AUDITORS' RESPONSIBILITY (Cont'd)

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

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

## OPINION

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

**HLM & Co.**
*Certified Public Accountants*
Hong Kong,
25th March 2011

# Consolidated Statement of Comprehensive Income

*For the year ended 31st December 2010*

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 7 | **205,767** | 154,317 |
| Cost of sales | | **(120,930)** | (67,005) |
| Gross profit | | **84,837** | 87,312 |
| Other operating income | | **409** | 218 |
| Distribution costs | | **(21)** | (15) |
| Administrative expenses | | **(26,283)** | (18,827) |
| Other expenses | 8 | **(46,150)** | (112,882) |
| Profit (loss) from operations | | **12,792** | (44,194) |
| Finance costs | 9 | **(41,491)** | (33,139) |
| Loss before tax | | **(28,699)** | (77,333) |
| Income tax expense | 13 | **–** | – |
| Loss for the year from continuing operations | 10 | **(28,699)** | (77,333) |
| **Discontinued operations** | | | |
| Profit (loss) for the year from discontinued operations | 14 | **67,447** | (98,734) |
| **Profit (loss) for the year** | | **38,748** | (176,067) |
| **Other comprehensive expense** | | | |
| Translation reserve released upon disposal of subsidiaries | | **(33,398)** | – |
| **Total comprehensive income (expense) for the year** | | **5,350** | (176,067) |
| Profit (loss) attributable to: | | | |
| Owners of the Company | | **37,851** | (179,113) |
| Non-controlling interests | | **897** | 3,046 |
| | | **38,748** | (176,067) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | **4,453** | (179,113) |
| Non-controlling interests | | **897** | 3,046 |
| | | **5,350** | (176,067) |
| **Dividend** | 15 | **–** | – |
| **Earnings (loss) per share** | 16 | | |
| From continuing and discontinued operations | | | |
| – Basic (cents per share) | | **3.03** | (15.82) |
| – Diluted (cents per share) | | **2.93** | (15.82) |
| From continuing operations | | | |
| – Basic and Diluted (cents per share) | | **(2.30)** | (6.83) |

# Consolidated Statement of Financial Position

*At 31st December 2010*

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 17 | **297** | 149 |
| Goodwill | 18 | **226,511** | 226,511 |
| Intangible asset | 19 | **384,225** | 405,375 |
| | | **611,033** | 632,035 |
| Current assets | | | |
| Trade and other receivables | 20 | **184,117** | 190,409 |
| Bank balances and cash | 21 | **306,141** | 166,041 |
| | | **490,258** | 356,450 |
| Assets classified as held for sale | 22 | **–** | 229,330 |
| | | **490,258** | 585,780 |
| Current liabilities | | | |
| Trade and other payables | 23 | **108,371** | 109,416 |
| Liabilities directly associated with assets classified as held for sale | 22 | **–** | 161,423 |
| | | **108,371** | 270,839 |
| Net current assets | | **381,887** | 314,941 |
| Total assets less current liabilities | | **992,920** | 946,976 |
| Non-current liability | | | |
| Convertible notes | 24 | **501,381** | 459,890 |
| Net assets | | **491,539** | 487,086 |
| Capital and reserves | | | |
| Share capital | 26 | **124,868** | 124,868 |
| Reserves | | **366,671** | 362,218 |
| Total equity | | **491,539** | 487,086 |

The consolidated financial statements on pages 25 to 79 were approved and authorised for issue by the Board of Directors on 25th March 2011 and are signed on its behalf by:

**Shih Chian Fang**
*DIRECTOR*

**Han Hong**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

*For the year ended 31st December 2010*

| | Share capital HK$'000 | Share premium HK$'000 | Warrant reserve (note i) HK$'000 | Convertible notes equity reserve (note ii) HK$'000 | Translation reserve HK$'000 | Goodwill reserve HK$'000 | Special Reserve HK$'000 | PRC statutory reserves HK$'000 | Accumulated losses HK$'000 | Attributable to owners of the Company HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1st January 2009 | 82,368 | 21,229 | 4,942 | – | 33,398 | (24,509) | 238,966 | 21,910 | (196,825) | 181,479 | – | 181,479 |
| Loss for the year | – | – | – | – | – | – | – | – | (179,113) | (179,113) | 3,046 | (176,067) |
| Other comprehensive expense for the year | – | – | – | – | – | – | – | – | – | – | – | – |
| Total comprehensive expense for the year | – | – | – | – | – | – | – | – | (179,113) | (179,113) | 3,046 | (176,067) |
| Recognition of the equity component of convertible notes | – | – | – | 236,105 | – | – | – | – | – | 236,105 | – | 236,105 |
| Issue of new shares | 40,000 | 198,271 | – | – | – | – | – | – | – | 238,271 | – | 238,271 |
| Issued of shares on exercise of convertible notes | 2,500 | 13,104 | – | (5,260) | – | – | – | – | – | 10,344 | – | 10,344 |
| Pre-determined distribution | – | – | – | – | – | – | – | – | – | – | (3,046) | (3,046) |
| | 42,500 | 211,375 | – | 230,845 | – | – | – | – | – | 484,720 | (3,046) | 481,674 |
| At 31st December 2009 and 1st January 2010 | 124,868 | 232,604 | 4,942 | 230,845 | 33,398 | (24,509) | 238,966 | 21,910 | (375,938) | 487,086 | – | 487,086 |
| Profit for the year | – | – | – | – | – | – | – | – | 37,851 | 37,851 | 897 | 38,748 |
| Other comprehensive expense | | | | | | | | | | | | |
| Reserves released upon disposal of subsidiaries | – | – | – | – | (33,398) | – | – | – | – | (33,398) | – | (33,398) |
| Total comprehensive (expense) income for the year | – | – | – | – | (33,398) | – | – | – | 37,851 | 4,453 | 897 | 5,350 |
| Disposal of subsidiaries | – | – | – | – | – | 24,509 | (238,966) | (21,910) | 236,367 | – | – | – |
| Pre-determined distribution | – | – | – | – | – | – | – | – | – | – | (897) | (897) |
| At 31st December 2010 | 124,868 | 232,604 | 4,942 | 230,845 | – | – | – | – | (101,720) | 491,539 | – | 491,539 |

Notes:

(i) On 4th October 2007, the Company issued 164,736,000 unlisted warrants for consideration of HK$0.03 each. The gross proceeds of approximately HK$4,942,000 was raised and included in the warrant reserve. Each of the warrant has subscription right to subscribe for one subscription share of the Company at a subscription price of HK$0.6, subject to adjustment, for a exercise period of four years from 4th October 2007 to 3rd October 2011. None of such warrants were exercised since the date of issue. At the end of reporting period, the Company had outstanding 164,736,000 unlisted warrants to be exercised before 3rd October 2011. Exercise in full of such warrants would result in the issue of 164,736,000 additional ordinary shares.

(ii) On 27th February 2009, the Company issued two tranches of five-year zero coupon Hong Kong-dollar convertible notes at par, due in February, 2014 (the "Notes"), for an aggregate principal amount of HK$673,200,000, which is part of the consideration for the acquisition of Sino-Africa Technology & Trading Limited. The Notes are convertible, at the option of noteholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price HK$0.6 per share, at any time from 27th February 2009 up to and including 26th February 2014. On 4th November 2009, a principal amount of HK$15,000,000 notes were converted at the request of the noteholder. At 31st December 2010, the principal amount of HK$658,200,000 (2009: HK$658,200,000) remains outstanding.

The Notes contain two components, a liability and an equity element. The liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as "Convertible notes equity reserve". At 31st December 2010, the equity component of Notes with a carrying amount of HK$230,845,000 (2009: HK$230,845,000).

# Consolidated Statement of Cash Flows

*For the year ended 31st December 2010*

| | Note | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit (loss) for the year | | **38,748** | (176,067) |
| Adjustments for: | | | |
| Income tax expense | | **9** | 261 |
| Impairment loss recognised in respect of trade and other receivables | | **25,000** | 28,996 |
| Impairment loss recognised in respect of goodwill | | **–** | 95,257 |
| Allowance for inventories | | **–** | 11,537 |
| Depreciation and amortisation of property, plant and equipment | | **5,320** | 31,910 |
| Amortisation of intangible asset | | **21,150** | 17,625 |
| Amortisation of prepaid lease payments on land use rights | | **190** | 1,138 |
| Gain on disposal of subsidiaries | | **(76,897)** | – |
| Gain on disposal of property, plant and equipment | | **–** | (282) |
| Interest income | | **(392)** | (139) |
| Interest expense | | **42,095** | 37,959 |
| Operating cash flows before movements in working capital | | **55,223** | 48,195 |
| Decrease in inventories | | **8,480** | 46,810 |
| Increase in trade and other receivables | | **(13,713)** | (45,331) |
| (Decrease) increase in trade and other payables | | **(9,121)** | 39,305 |
| Cash generated from operations | | **40,869** | 88,979 |
| Hong Kong profits tax paid | | **–** | (11) |
| PRC enterprise income tax paid | | **–** | (1,106) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | | **40,869** | 87,862 |
| INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment | | **(289)** | (493) |
| Net cash inflow from disposal of subsidiaries | 14c | **94,313** | – |
| Net cash inflow on acquisition of subsidiaries | | **–** | 23,250 |
| Interest received | | **392** | 139 |
| Proceeds from disposal of property, plant and equipment | | **–** | 282 |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | | **94,416** | 23,178 |
| FINANCING ACTIVITIES | | | |
| Proceeds from issue of equity shares | | **–** | 58,271 |
| Repayment of bank borrowings | | **–** | (37,378) |
| Dividends paid to minority shareholders of subsidiaries | | **(897)** | (3,046) |
| Interest paid | | **(604)** | (4,820) |
| Proceeds from bank borrowings | | **–** | 15,556 |
| Increase (decrease) of loan from a director | | **172** | (14,325) |
| NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES | | **(1,329)** | 14,258 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **133,956** | 125,298 |
| CASH AND CASH EQUIVALENTS AT 1st JANUARY | | **172,185** | 46,887 |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | | **–** | – |
| CASH AND CASH EQUIVALENTS AT 31st DECEMBER | | **306,141** | 172,185 |
| CASH AND CASH EQUIVALENTS REPRESENT | | | |
| Bank balances and cash | | **306,141** | 172,185 |

## 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business in Hong Kong is at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 31.

The consolidated financial statements are presented in Hong Kong dollars, which is considered as the functional currency of the Company.

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

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

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs |
| HKFRS 1 (Amendments) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK - Interpretation ("Int") 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HK(IFRIC) - Int 17 | Distributions of Non-cash Assets to Owners |

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised standard has no impact on the Group's or the Company's financial statements as there was no business combination transaction occurred in the year ended 31st December 2010.

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

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 7 and HKAS 1[1] |
| HKFRS 1 (Amendments) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2] |
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[3] |
| HKFRS 9 (Revised) | Financial Instruments[4] |
| HKAS 12 (Amendments) | Deferred Tax : Recovery of Underlying Assets[5] |
| HKAS 24 (as revised in 2009) | Related Party Disclosures[6] |
| HKAS 32 (Amendments) | Classification of Rights Issues[7] |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of Minimum Funding Requirement[6] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

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

HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. The Group will apply this standard from 1st January 2013. It is not expected to have significant impact on the Group's or the Company's financial statements;

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

Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1st January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1st January 2011. The revised standard only results in changes in related party disclosures and does not have any impact to earnings per share;

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations that have been issued but are not yet effective will have no material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Basis of consolidation** (Cont'd)

*Allocation of total comprehensive income to non-controlling interests*

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

*Changes in the Group's ownership interests in existing subsidiaries*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets.

**Business combinations**

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

At the acquisition date, the acquiree's identifiable assets, liabilities are recognised at their fair values at the acquisition date, except that:

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Business combinations (Cont'd)

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Change in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Discontinued Operations

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a major line of business or geographical area of operation. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is presented as if the operation had been discontinued from the start of the comparative period.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current asset (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### Turnover

Turnover represents the net amounts received and receivable for goods supplied to outside customers, less returns and discounts during the year.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

**Leasing**

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

*The Group as lessee*

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

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Foreign currencies** (Cont'd)

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

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

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

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

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

**Retirement benefit costs**

Payments to state managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("the "MPF Scheme") are charged as expenses when they fall due.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

### Taxation

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Taxation** (Cont'd)

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

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

**Property, plant and equipment**

Property, plant and equipment including furniture and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost or fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of other items of property, plant and equipment over their estimated useful life, using the straight line method, at the following rates per annum:

| | |
|---|---|
| Furniture and equipment | 20%-25% |

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

**Intangible assets**

Intangible assets acquired in a business combination consist of customer relationship and other recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost), which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are amortised on the basis of their expected useful life.

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Impairment of tangible and intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, and whenever there is indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**Financial instruments**

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(1) Financial assets*

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available for-sale financial assets.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

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

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

*Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(1) Financial assets* (Cont'd)

*Financial assets at FVTPL* (Cont'd)

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

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

*Loans and receivables*

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

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(1) Financial assets* (Cont'd)

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

*Impairment of financial assets*

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

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

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

(i) significant financial difficulty of the issuer or counterparty; or

(ii) default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) the disappearance of an active market for that financial assets because of financial difficulties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(1) Financial assets* (Cont'd)

*Impairment of financial assets* (Cont'd)

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

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

For financial assets carried at cost (such as an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured), the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

*(2) Financial liabilities and equity instruments*

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(2) Financial liabilities and equity instruments* (Cont'd)

*Effective interest method*

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

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

*Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

(i) it has been incurred principally for the purpose of repurchasing in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

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

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(2) Financial liabilities and equity instruments* (Cont'd)

*Financial liabilities at FVTPL* (Cont'd)

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

*Other financial liabilities*

Other financial liabilities including bank and other borrowings, trade payables and others are subsequently measured at amortised cost, using the effective interest method.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is include in equity (convertible notes equity reserve).

At the end of the reporting period, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option classified as equity will remain in the convertible notes equity reserve until the conversion option is exercised, in which case, the balance stated in the convertible notes equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the life of the convertible notes using the effective interest method.

*Equity instruments*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Financial instruments** (Cont'd)

*(3) Derecognition*

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

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

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

**Cash and cash equivalents**

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statements of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprises' cash managements are also included as component of cash and cash equivalents.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY (Cont'd)

### (a) Depreciation

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

### (b) Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

### (c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

### (d) Impairment of intangible assets

The management of the Group reviews its intangible assets at the end of each reporting period for any indication that the intangible assets may be impaired if its carrying amount may be in excess of the greater of its net selling price and its value in use. The value in use means the discounted present value of the future cash flows expected to arise from the continuing use of the intangible assets and from its disposal at the end of its useful life.

## 5. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

During 2010, the Group's strategy remained unchanged. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

## 5. CAPITAL RISK MANAGEMENT (Cont'd)

The analysis below includes those classified as part of a disposal group held for sale for 2009. The Management considers the gearing ratio at the end of each reporting period was as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Total borrowings | 501,381 | 562,937 |
| Total equity | 491,539 | 487,086 |
| Total debt to total equity ratio | 102.00% | 115.57% |

The decrease in the gearing ratio during 2010 resulted primarily from derecognition of bank borrowing belonging to disposal group upon completion the disposal on 28th February 2010.

## 6. FINANCIAL INSTRUMENTS

**6a. The carrying amounts of each of the categories of financial instruments. The analysis for 2009 included those classified as part of a disposal group held for sale.**

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Trade and other receivables | 184,117 | 240,557 |
| Bank balances and cash | 306,141 | 172,185 |
| | 490,258 | 412,742 |
| **Financial liabilities** | | |
| Trade and other payables | 108,371 | 157,341 |
| Bank borrowings | – | 103,047 |
| Convertible notes | 501,381 | 459,890 |
| | 609,752 | 720,278 |

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### 6b. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables, bank borrowings and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Credit risk**

Credit risk arises from the failure of a customer or counterparty to meet its settlement obligations. The credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Concentration of credit risk is managed by customer/counterparty, by geographical region and by industry sector. Credit risk arising therefore is assessed on individual basis. There is an average credit period of 365 days for both external customers and related parties. It arises principally from trading and other activities undertaken by the Group. The Group has concentration of credit risk on certain individual customers. In order to minimise the credit risk, the management of the Group has procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

**Liquidity risk**

With regard to 2010 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### 6b. Financial Risk Management Objectives and Policies (Cont'd)

**Liquidity risk** (Cont'd)

The maturity profile of the Group's financial liabilities as at 31st December 2010 and 2009 are as follows:

| | **Weighted average effective interest rate %** | **Less than 1 year HK$'000** | **1-2 years HK$'000** | **2-5 years HK$'000** | **More than 5 years HK$'000** | **Carrying amount at 31.12.2010 HK$'000** |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Trade and other payables | **N/A** | **108,371** | **–** | **–** | **–** | **108,371** |
| Convertible notes | **8.6%** | **–** | **–** | **501,381** | **–** | **501,381** |
| | | **108,371** | **–** | **501,381** | **–** | **609,752** |

| | Weighted average effective interest rate % | Less than 1 year HK$'000 | 1-2 years HK$'000 | 2-5 years HK$'000 | More than 5 years HK$'000 | Carrying amount at 31.12.2009 HK$'000 |
|---|---|---|---|---|---|---|
| 2009 | | | | | | |
| Trade and other payables | N/A | 157,341 | – | – | – | 157,341 |
| Bank borrowings | 4.2% | 103,047 | – | – | – | 103,047 |
| Convertible notes | 8.6% | – | – | 459,890 | – | 459,890 |
| | | 260,388 | – | 459,890 | – | 720,278 |

**Interest rate risk**

The Group's bank balances carry floating-rate of interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. However, the directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the needs arise.

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### 6b. Financial Risk Management Objectives and Policies (Cont'd)

**Interest rate risk** (Cont'd)

*Sensitivity analysis*

As at 31st December 2010 and 2009, if interest rate on borrowing has been 5% higher/lower with all other variable held constant, profit for the current year and loss for the prior year would decrease/increase by approximately HK$2,105,000 (2009:decrease/increase by approximately HK$1,898,000).

**Other price risk**

The Group is not exposed to any equity securities risk or commodity price risk.

**Currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD in current year. Since HKD is pegged to USD, the Group does not expect any significant movements in USD/HKD exchange rate. The exposure to fluctuations in exchange rate of HKD is considered to be insignificant.

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| Financial assets denominated in foreign currencies | **324,178** | 318,171 |
| Financial liabilities denominated in foreign currencies | **91,913** | 209,485 |
| The financial assets were denominated in the following foreign currencies: | | |
| RMB | **–** | 50,779 |
| USD | **324,178** | 267,392 |
| | **324,178** | 318,171 |
| The financial liabilities were denominated in the following foreign currencies: | | |
| RMB | **–** | 58,980 |
| USD | **91,913** | 150,505 |
| | **91,913** | 209,485 |

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### 6b. Financial Risk Management Objectives and Policies (Cont'd)

**Currency risk** (Cont'd)

*Sensitivity analysis*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with other variable held constant, of the Group net profit for the current year and loss for the prior year (due to the change in fair value of the monetary assets and liability).

| | Increase /decrease in foreign currency rate | Effect on loss before taxation 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| RMB | 5% | – | (410) |
| | –5% | – | 410 |
| USD | 5% | **11,613** | 5,844 |
| | –5% | **(11,613)** | (5,844) |

### 6c. Fair Value

*(i) Financial instruments carried at fair value*

The carrying value of financial instruments are measured at fair value at 31st December 2010 and 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair vales measured using quoted price (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December 2010 and 2009, the Group had no financial instruments carried at fair value all of which are based on the Level 1 for the fair value hierarchy.

During the year ended 31st December 2010 and 2009, there were no significant transfers between financial instruments in Level 1 and 2.

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### 6c. Fair Value (Cont'd)

(ii) *Fair values of financial instruments carried at other than fair value*

At 31st December 2010 and 2009, the Group had no financial instruments carried at cost or amortised cost all of which are based on the Level 3 for the fair value hierarchy.

(iii) *The fair values of financial assets and financial liabilities are determined as follows:*

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

## 7. SEGMENT INFORMATION

Management has determined operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segment and to assess its performance. The Group's reportable segments identified during the period by CODM under HKFRS 8 are as follow:

| | |
|---|---|
| Supporting services to sweetener and ethanol business | This segment is engaged in provision of (i) facilities, raw materials and goods supply services; (ii) management and technical staff; (iii) related consulting services on construction; & (iv) contract manufacturing services; to the sweetener and ethanol business. |
| Manufacturing and trading of leather | This segment is engaged in leather manufacturing, processing and trading. These discontinued operations were disposed on 28th February 2010. |

## 7. SEGMENT INFORMATION (Cont'd)

### Segment revenue and results

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

**2010**

| | Revenue | | | Operating profit (loss) | | |
|---|---|---|---|---|---|---|
| | Continuing operations HK$'000 | Discontinued operations HK$'000 | Total HK$'000 | Continuing operations HK$'000 | Discontinued operations HK$'000 | Total HK$'000 |
| Supporting services to sweetener and ethanol business | 205,767 | – | 205,767 | 41,282 | – | 41,282 |
| Manufacturing and trading of leather | – | 21,920 | 21,920 | – | (8,837) | (8,837) |
| | 205,767 | 21,920 | 227,687 | 41,282 | (8,837) | 32,445 |
| Impairment loss on trade and other receivables | | | | (25,000) | – | (25,000) |
| Gain on disposal of subsidiaries | | | | – | 76,897 | 76,897 |
| Central administration cost | | | | (3,490) | – | (3,490) |
| Finance costs | | | | (41,491) | (604) | (42,095) |
| Profit (loss) before taxation | | | | (28,699) | 67,456 | 38,757 |
| Income tax expense | | | | – | (9) | (9) |
| Profit (loss) for the year | | | | (28,699) | 67,447 | 38,748 |

2009

| | Revenue | | | Operating profit (loss) | | |
|---|---|---|---|---|---|---|
| | Continuing operations HK$'000 | Discontinued operations HK$'000 | Total HK$'000 | Continuing operations HK$'000 | Discontinued operations HK$'000 | Total HK$'000 |
| Supporting services to sweetener and ethanol business | 154,317 | – | 154,317 | 54,029 | – | 54,029 |
| Manufacturing and trading of leather | – | 246,128 | 246,128 | – | (93,653) | (93,653) |
| | 154,317 | 246,128 | 400,445 | 54,029 | (93,653) | (39,624) |
| Impairment of goodwill | | | | (95,257) | – | (95,257) |
| Central administration cost | | | | (2,966) | – | (2,966) |
| Finance costs | | | | (33,139) | (4,820) | (37,959) |
| Loss before taxation | | | | (77,333) | (98,473) | (175,806) |
| Income tax expense | | | | – | (261) | (261) |
| Loss for the year | | | | (77,333) | (98,734) | (176,067) |

## 7. SEGMENT INFORMATION (Cont'd)

**Segment assets and liabilities**

**At 31st December 2010**

| | Continuing operations HK'000 | Discontinued operations HK'000 | Total HK'000 |
|---|---|---|---|
| **Segment assets** | | | |
| Supporting services to sweetener and ethanol business | **709,567** | – | **709,567** |
| Manufacturing and trading of leather | – | – | – |
| Unallocated | **391,724** | – | **391,724** |
| Consolidated assets | **1,101,291** | – | **1,101,291** |
| **Segment liabilities** | | | |
| Supporting services to sweetener and ethanol business | **107,825** | – | **107,825** |
| Manufacturing and trading of leather | – | – | – |
| Unallocated | **546** | – | **546** |
| Consolidated liabilities | **108,371** | – | **108,371** |

At 31st December 2009

| | Continuing operations HK'000 | Discontinued operations HK'000 | Total HK'000 |
|---|---|---|---|
| **Segment assets** | | | |
| Supporting services to sweetener and ethanol business | 672,916 | – | 672,916 |
| Manufacturing and trading of leather | – | 229,330 | 229,330 |
| Unallocated | 315,569 | – | 315,569 |
| Consolidated assets | 988,485 | 229,330 | 1,217,815 |
| **Segment liabilities** | | | |
| Supporting services to sweetener and ethanol business | 87,456 | – | 87,456 |
| Manufacturing and trading of leather | – | 161,423 | 161,423 |
| Unallocated | 481,850 | – | 481,850 |
| Consolidated liabilities | 569,306 | 161,423 | 730,729 |

## 7. SEGMENT INFORMATION (Cont'd)

**Other segments information**

**For the year ended 31st December 2010**

| | Continuing operations HK'000 | Discontinued operations HK'000 | Total HK'000 |
|---|---|---|---|
| **Depreciation and amortisation** | | | |
| Supporting services to sweetener and ethanol business | 21,258 | – | 21,258 |
| Manufacturing and trading of leather | – | 5,402 | 5,402 |
| | 21,258 | 5,402 | 26,660 |
| **Addition to non-current assets** | | | |
| Supporting services to sweetener and ethanol business | 256 | – | 256 |
| Manufacturing and trading of leather | – | 33 | 33 |
| | 256 | 33 | 289 |

For the year ended 31st December 2009

| | Continuing operations HK'000 | Discontinued operations HK'000 | Total HK'000 |
|---|---|---|---|
| **Depreciation and amortisation** | | | |
| Supporting services to sweetener and ethanol business | 17,665 | – | 17,665 |
| Manufacturing and trading of leather | – | 33,008 | 33,008 |
| | 17,665 | 33,008 | 50,673 |
| **Addition to non-current assets** | | | |
| Supporting services to sweetener and ethanol business | 189 | – | 189 |
| Manufacturing and trading of leather | – | 304 | 304 |
| | 189 | 304 | 493 |

## 8. OTHER EXPENSES

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Amortisation of intangible asset | 21,150 | 17,625 |
| Impairment loss on trade and other receivables | 25,000 | – |
| Impairment loss on goodwill | – | 95,257 |
| | 46,150 | 112,882 |

## 9. FINANCE COSTS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Effective interest expense on convertible notes wholly repayable within five years | 41,491 | 33,139 |

## 10. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Loss for the year from continuing operations has been arrived at after charging: | | |
| Directors' remunerations (note 11) | 1,721 | 1,446 |
| Retirement benefits scheme contributions | 1,804 | 1,554 |
| Other staff costs | 16,940 | 14,053 |
| Total employee benefits expenses | 20,465 | 17,053 |
| Depreciation of property, plant and equipment | 108 | 40 |
| Auditors' remuneration | 380 | – |
| Cost of inventories recognised as an expenses | 120,930 | 67,005 |
| and after crediting: | | |
| Net foreign exchange gains | 368 | 146 |
| Interest income | 391 | 73 |

## 11. DIRECTORS' REMUNERATIONS

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

| | Fees | Basic salaries and allowances | Performance Bonus | Retirement benefits scheme contributions | 2010 Total emoluments | 2009 Total emoluments |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** | HK$'000 |
| **Executive Directors** | | | | | | |
| Shih Chian Fang | – | – | – | – | **–** | 100 |
| Han Hong | – | 337 | 348 | 59 | **744** | 866 |
| Xiao Longlong (Note c) | – | 469 | 344 | 59 | **872** | – |
| Hu Yebi (Note d) | 5 | – | – | – | **5** | – |
| Liaw Yuan Chian (Note e) | – | – | – | – | **–** | 100 |
| Kuang Yong (Note f) | – | – | – | – | **–** | 100 |
| Zhou Yan Xia (Note g) | – | – | – | – | **–** | 120 |
| **Independent Non-executive Directors** | | | | | | |
| Zheng Lui | 100 | – | – | – | **100** | 100 |
| Yu Chi Jui | – | – | – | – | **–** | 30 |
| Li Xiao Wei | – | – | – | – | **–** | 30 |
| | 105 | 806 | 692 | 118 | **1,721** | 1,446 |

Notes:

a. In the two years ended 31st December 2010, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the two years.

b. The performance bonus is payable to employees of SATT, including Mr. Han Hong who is the director and deputy general manager of SATT and Mr. Xiao Longlong, who is the general manager of SATT, the amount payable in the two years ended 31st December 2010 tied to certain performance indicators of that company.

c. Appointed on 7th January 2010.

d. Appointed on 16th December 2010

e. Resigned on 16th December 2010

f. Resigned on 7th January 2010.

g. Resigned on 15th May 2009

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2009: one) was executive director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2009: four) individuals were as follows:

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| Basic salaries and allowances | **1,254** | 1,351 |
| Performance bonus (Note 11(b)) | **857** | 2,028 |
| Retirement benefits scheme contributions | **102** | 107 |
| | **2,213** | 3,486 |

Their emoluments were within the following bands:

| | **2010 Number of employees** | 2009 Number of employees |
|---|---|---|
| HK$nil to HK$1,000,000 | **3** | 3 |
| HK$1,000,001 to HK$2,000,000 | **–** | 1 |
| | **3** | 4 |

## 13. INCOME TAX EXPENSE

No provision for income tax expenses had been made as the Company and subsidiaries has no assessable profits in their jurisdictions for the two years ended 31st December 2010 and 2009 and no material unprovided deferred tax at the end of reporting period 2010 and 2009.

## 14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

### (a) Description

The Company entered into Disposal Agreements with Sino Commend Limited on 16th October 2009 and 19th October 2009 to dispose of its entire issued share capital of Hua Lien Group (Holding) Company, Limited and the shareholder's loan, which engaged in manufacturing and trading of leather. The total consideration for disposal is HK$101,500,000 in cash, of which approximately HK$29,370,000 represents the consideration for the sales of sales shares and the balance of approximately HK$72,130,000 represents the consideration for assignment of the shareholder's loan. The disposal was completed on 28th February 2010.

The profit (loss) up to the date of disposal from the discontinued operations included in the consolidated statement of comprehensive income for the year are analysed as follows:

| | Notes | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|---|
| Loss for the year from manufacturing and trading of leather | 14(b) | **(9,450)** | (98,734) |
| Gain on disposal of subsidiaries | 14(c) | **76,897** | – |
| | | **67,447** | (98,734) |

### (b) The financial performance

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Turnover | **21,920** | 246,128 |
| Cost of sales | **(30,181)** | (300,143) |
| Gross loss | **(8,261)** | (54,015) |
| Other operating income | **805** | 1,673 |
| Distribution costs | **(4)** | (64) |
| Administrative expenses | **(1,377)** | (12,251) |
| Other expenses | **–** | (28,996) |
| Loss from operations | **(8,837)** | (93,653) |
| Finance costs | **(604)** | (4,820) |
| Loss before tax | **(9,441)** | (98,473) |
| Income tax expense | **(9)** | (261) |
| Loss for the year from manufacturing and trade of leather | **(9,450)** | (98,734) |

## 14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) (Cont'd)

### (b) The financial performance (Cont'd)

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Profit (loss) for the year from discontinued operations has been arrived at after charging: | | |
| Directors' remunerations | **22** | 320 |
| Retirement benefits scheme contributions | **93** | – |
| Other staff costs | **1,485** | 9,222 |
| Total employee benefits expenses | **1,600** | 9,542 |
| Depreciation of property, plant and equipment | **190** | 31,870 |
| Amortisation of prepaid lease payments on land use rights | **5,212** | 1,138 |
| Total depreciation and amortisation | **5,402** | 33,008 |
| Auditors' remuneration: | **–** | 424 |
| Allowance for inventories | **–** | 11,537 |
| Impairment loss on trade and other receivables | **–** | 28,996 |
| Cost of inventories recognised as an expense | **30,181** | 300,143 |
| and after crediting: | | |
| Net foreign exchange gains | **604** | 693 |
| Interest income | **1** | 66 |
| Gain on disposal of property, plant and equipment | **–** | 282 |

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Cash flows from discontinued operations | | |
| Net cash inflow from operating activities | **2,405** | 19,514 |
| Net cash (outflow) inflow from investing activities | **(32)** | 24 |
| Net cash outflow from financing activities | **(1,330)** | (23,545) |
| | **1,043** | (4,007) |

## 14. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) (Cont'd)

### (c) Net assets disposed of:

The net assets of Hua Lien Group (Holding) Company, Limited and its subsidiaries as at the date of disposal are as follows:

| | 28th February 2010 HK$'000 |
|---|---|
| Property, plant and equipment | 77,829 |
| Prepaid lease payments on land use rights | 45,802 |
| Deferred tax assets | 499 |
| Inventories | 35,050 |
| Trade and other receivables | 45,154 |
| Bank balances and cash | 7,187 |
| Trade and other payables | (39,850) |
| Loan from a director | (285) |
| Tax liabilities | (10,338) |
| Bank borrowings | (103,047) |
| Shareholder's loan | (72,130) |
| Translation reserve released | (33,398) |
| | (47,527) |
| Add: Shareholder's loan | 72,130 |
| | 24,603 |
| Gain on disposal of subsidiaries | 76,897 |
| Total consideration satisfied by cash | 101,500 |
| Net cash inflow arising on disposal | |
| Cash consideration | 101,500 |
| Bank balances and cash disposed of | (7,187) |
| | 94,313 |

No tax charge or credit arose on the disposal of Hua Lien Group (Holding) Company, Limited.

## 15. DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31st December 2010 and 2009.

## 16. EARNINGS (LOSS) PER SHARE

*From continuing and discontinued operations*

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

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Earnings (loss) | | |
| Profit (loss) for the purpose of basic earnings (loss) per share | **37,851** | (179,113) |

| | **2010** **'000** | 2009 '000 |
|---|---|---|
| Number of Shares | | |
| Weighted average number of ordinary share for the purpose of basic earnings (loss) per share | **1,248,680** | 1,132,447 |
| Effect of dilutive potential ordinary shares: | | |
| Warrants | **41,120** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings(loss) per share | **1,289,800** | 1,132,447 |

The computation of diluted earnings per share for the year ended 31st December 2010 does not assume the conversion of the Company's outstanding convertible notes since their assumed exercise would result in an increase in earnings per share. The diluted loss per share for the year ended 31st December 2009 was the same as basic loss per share as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on the loss from continuing and discontinued operations attributable to owners of the Company.

## 16. EARNINGS (LOSS) PER SHARE (Cont'd)

*From continuing operations*

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

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Profit (loss) figures are calculated as follows: | | |
| Profit (loss) for the purpose of basic earnings (loss) per share | **37,851** | (179,113) |
| Less: | | |
| Profit (loss) for the year from discontinued operations | **66,550** | (101,780) |
| Loss for the purpose of basic and diluted loss per share from continuing operations | **(28,669)** | (77,333) |

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

The diluted loss per share for the year ended 31st December 2010 and 2009 is the same as basic loss per share presented as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on the loss from continuing operations attributable to owners of the Company.

*From discontinued operations*

Basic earnings per share for the discontinued operations is HK5.33 cents per share (2009: Basic loss per share HK8.99 cents), based on the profit for the year from the discontinued operations of approximately HK$66,550,000 (2009: loss of HK$101,780,000) and the denominators detailed above for basic loss per share.

Diluted earnings per share for the discontinued operations is HK5.16 cents per share, based on the profit for the year from the discontinued operations of approximately HK$66,550,000 and the denominators detailed above for diluted earnings per share. The diluted loss per share for the year ended 31st December 2009 was the same as basic loss per share as there was no dilutive effect from the assumed exercise of warrants and conversion of the Company's outstanding convertible notes on loss from discontinued operations attributable to owners of the Company.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Buildings HK$'000 | Plant and machinery HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1st January 2009 | 260,922 | 416,880 | 36,333 | 7,425 | 5,589 | 727,149 |
| Additions | – | – | 189 | – | 304 | 493 |
| Transfers | 163 | – | 15 | – | (178) | – |
| Disposals | – | – | – | (1,771) | – | (1,771) |
| Reclassified as held for sale | (261,085) | (416,880) | (36,348) | (5,654) | (5,715) | (725,682) |
| At 31st December 2009 | – | – | 189 | – | – | 189 |
| Additions | – | – | 256 | – | – | 256 |
| Transfers | – | – | – | – | – | – |
| Disposals | – | – | – | – | – | – |
| **At 31st December 2010** | **–** | **–** | **445** | **–** | **–** | **445** |
| ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT | | | | | | |
| At 1st January 2009 | 199,007 | 369,974 | 36,169 | 7,425 | – | 612,575 |
| Provided for the year | 10,740 | 21,130 | 40 | – | – | 31,910 |
| Eliminated on disposals of assets | – | – | – | (1,771) | – | (1,771) |
| Reclassification as held for sale | (209,747) | (391,104) | (36,169) | (5,654) | – | (642,674) |
| At 31st December 2009 | – | – | 40 | – | – | 40 |
| Provided for the year | – | – | 108 | – | – | 108 |
| Eliminated on disposals of assets | – | – | – | – | – | – |
| **At 31st December 2010** | **–** | **–** | **148** | **–** | **–** | **148** |
| NET BOOK VALUES | | | | | | |
| **At 31st December 2010** | **–** | **–** | **297** | **–** | **–** | **297** |
| At 31st December 2009 | – | – | 149 | – | – | 149 |

## 18. GOODWILL

| | HK$'000 |
|---|---|
| Cost | |
| At 31st December 2009 and 31st December 2010 | 321,768 |
| Accumulated impairment losses | |
| At 31st December 2009 and 31st December 2010 | 95,257 |
| Carrying values | |
| At 31st December 2009 and 31st December 2010 | 226,511 |

Impairment testing for goodwill

The carrying value of goodwill was attributable to acquisition of the SATT on February 2010. This goodwill has been allocated for the impairment testing purpose to the cash-generating unit (the "CGU") of supporting services to sweetener and ethanol business. The recoverable amount as at 31st December 2010 of this CGU has been assessed on basis of a valuation report from BMI Appraisals Limited, (the "BMIA"), an independent professional company appointed for this purpose. BMIA assessed the value in use basing on cash flow projections of this CGU and applied a discount factor of 15.94% (2009: 14%) per annum in the calculation. In light of the recoverable amount in that report exceeds its carrying value, the directors have consequently determined that no write-down on carrying value of goodwill on supporting services to sweetener and ethanol business for the year ended 31st December 2010 is considered necessary (2009: an impairment loss of HK$95,257,000).

## 19. INTANGIBLE ASSET

**Customer relationship**

| | HK$'000 |
|---|---|
| Cost: | |
| At 31st December 2009 and 31st December 2010 | 423,000 |
| Accumulated amortisation: | |
| Balance at 31st December 2009 | 17,625 |
| Charge for the year | 21,150 |
| Balance at 31st December 2010 | 38,775 |
| At 31st December 2010 | 384,225 |
| At 31st December 2009 | 405,375 |

## 19. INTANGIBLE ASSET (Cont'd)

The intangible asset of customer relationship was purchased as part of a business combination of SATT on February 2010 and has a definite useful life which is amortised on a straight-line basis over the estimated useful life of 20 years. The customer relationship represents the present value of the future cash flow attributed to established customer base and other business relationships built up by SATT in African and other nations. The valuation is valued by BMIA. Excess earnings method is adopted in the valuation of the customer relationship. The excess earnings are the amount of anticipated economic benefits that exceeds the required rates of return on the contributory assets, including the fixed assets, the working capital, the workforce assembled and intangible assets other than the subject asset, used to generate those anticipated economic benefits.

## 20. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of continuing operations of approximately HK$183,616,000. The Group allows a credit period of 365 days for trade customers of supporting services of sweetener and ethanol business. The comparative figures have been reclassified to conform to current year's presentation and consisted of trade receivables of continuing operations of approximately HK$186,305,000 and trade receivables of discontinued operations of approximately HK$41,372,000, a total of approximately HK$227,677,000.

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Not yet due | **158,397** | 192,610 |
| Overdue 1 – 90 days | **25,219** | 35,067 |
| Overdue 91 – 180 days | **–** | – |
| Overdue 181 – 365 days | **–** | – |
| Overdue > 365 days | **–** | – |
| | **183,616** | 227,677 |

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

## 20. TRADE AND OTHER RECEIVABLES (Cont'd)

**Age of receivables that are past due but not impaired**

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| 1 – 90 days | **25,219** | 35,067 |

**Movement in the allowance for doubtful debts**

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Balance at beginning of the year | **–** | – |
| Allowance recognised in profit or loss | **25,000** | – |
| Balance at end of the year | **25,000** | – |

## 21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 0.81% (2009: 0.01% to 5%) per annum.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Bank balances and cash | **306,141** | 166,041 |
| Bank balances and cash included in a disposal group classified as held for sale | **–** | 6,144 |
| | **306,141** | 172,185 |

## 22. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As described in note 14, the Group has completed the disposal of discontinued operations on 28th February 2010 and there is no assets and liabilities being classified as held for sales in 2010. The assets and liabilities that classified as held for sale in 2009 (relating to the assets and liabilities of discontinued trading and manufacturing of leather operations) were as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Property, plant and equipment | – | 83,008 |
| Prepaid lease payments on land use rights | – | 45,992 |
| Deferred tax assets | – | 508 |
| Inventories | – | 43,530 |
| Trade and other receivables | – | 50,148 |
| Bank balances and cash | – | 6,144 |
| **Assets classified as held for sale** | – | 229,330 |
| Trade and other payables | – | (47,925) |
| Loan from a director | – | (113) |
| Tax liabilities | – | (10,338) |
| Bank borrowings | – | (103,047) |
| **Liabilities directly associated with assets classified as held for sale** | – | (161,423) |

## 23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of continuing operations of approximately HK$91,913,000 as at 31st December 2010. The following is an analysis of trade payables by age based on the invoice date. The comparative figures have been reclassified to conform to current year's presentation and consisted of trade payables of continuing operations of approximately HK$70,570,000 and trade payables of discontinued operations of approximately HK$34,324,000, a total of approximately HK$104,894,000.

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Not yet due | 91,913 | 92,726 |
| Overdue 1 – 90 days | – | 644 |
| Overdue 91 – 180 days | – | 1,858 |
| Overdue 181 – 365 days | – | 1,812 |
| Overdue > 365 days | – | 7,854 |
| | 91,913 | 104,894 |

## 24. CONVERTIBLE NOTES

On 27th February 2009, the Company issued two tranches of 5-year zero coupon convertible notes at par, due in February 2014 (the "Notes"), with an aggregate principal amount of HK$673,200,000, which is part of the consideration for the acquisition of SATT. The Notes are convertible, at the option of noteholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price HK$0.6 per share, subject to anti-dilutive adjustment, at any time from 27th February 2009 up to and including 26th February 2014. On 4th November 2009, a principal amount of HK$15,000,000 notes were converted at the request of the noteholder. At 31st December 2010, the principal amount of HK$658,200,000 (2009: HK$658,200,000) remains outstanding.

The Notes contain two components, a liability and an equity element. The liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as "Convertible notes equity reserve". During the year ended 31st December 2010, the effective interest rate of the liability component is 9.0219% (2009: 9.0219%). At 31st December 2010, the liability component of the Notes has carrying amount of HK$501,381,000 (2009: HK$459,890,000).

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| At the beginning of the year | **459,890** | 437,095 |
| Redemption of Notes | **–** | (10,344) |
| Effective interest expenses | **41,491** | 33,139 |
| At the end of the year | **501,381** | 459,890 |

## 25. WARRANTS

The Company has a total of 164,736,000 warrants outstanding at 31st December 2010 and its movements are as follows:

| Date of grant | Note | Outstanding at 1/1/2010 | Issued during the year | Exercised/ Lapsed during the year | Outstanding at 31/12/2010 | Exercise period | Exercise price per share |
|---|---|---|---|---|---|---|---|
| 4th October 2007 | a | 164,736,000 | – | – | 164,736,000 | 4/10/2007-<br>3/10/2011 | HK$0.60 |

Note:

(a) On 4th October 2007, the Company issued 164,736,000 unlisted warrants for consideration of HK$0.03 each. The gross proceeds of approximately HK$4,942,000 was raised and included in the warrant reserve. Each of the warrant has subscription right to subscribe for one subscription share of the Company at a subscription price of HK$0.60, subject to adjustment, for a exercise period of four years from 4th October 2007 to 3rd October 2011. None of such warrants were exercised since the date of issue. At the end of reporting date, the Company had outstanding 164,736,000 unlisted warrants to be exercised before 3rd October 2011. Exercise in full of such warrants would result in the issue of 164,736,000 additional ordinary shares.

## 26. SHARE CAPITAL

| | Number of Shares | | Share Capital | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **'000** | '000 | **HK$'000** | HK$'000 |
| Ordinary share of HK$0.1 each | | | | |
| **Authorised** | | | | |
| At beginning of year | **6,000,000** | 1,500,000 | **600,000** | 150,000 |
| Increase during the year | **–** | 4,500,000 | **–** | 450,000 |
| At end of year | **6,000,000** | 6,000,000 | **600,000** | 600,000 |
| **Issued and fully paid** | | | | |
| At beginning of year | **1,248,680** | 823,680 | **124,868** | 82,368 |
| Issue of consideration shares | **–** | 300,000 | **–** | 30,000 |
| Issue of subscription shares | **–** | 100,000 | **–** | 10,000 |
| Issued of shares on exercise of convertible notes | **–** | 25,000 | **–** | 2,500 |
| At end of year | **1,248,680** | 1,248,680 | **124,868** | 124,868 |

## 27. COMMITMENTS

**Operating lease commitments:**

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Lease payments paid during the year under operating leases in respect of land and buildings and office premises | **860** | 755 |

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **833** | 827 |
| In the second to fifth year inclusive | **–** | 647 |
| Over five years | **–** | – |
| | **833** | 1,474 |

## 27. COMMITMENTS (Cont'd)

**Operating lease commitments:** (Cont'd)

Operating lease payments principally represent rentals payable by the Group for certain of its office premises for both years.

The Group did not have any significant lease commitments at the end of the reporting period.

## 28. SHARE OPTIONS SCHEME

**2007 Share Option Scheme**

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2007 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 20th September 2007. The details of the 2007 Share Option Scheme as pursuant to the Listing Rules, are set out in the Company's circular dated 3rd September 2007.

The purpose of the 2007 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees, directors, consultants and advisers of the Group and to promote the success of the Group. Qualifying participant of the 2007 Share Option Scheme means (a) any executive director, employee or proposed employee including full time or part time of any member of the Group (b) any non-executive director including independent non-executive directors of any member of the Group (c) any supplier of goods or services to any member of the Group (d) any customer of any member of the Group (e) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group (f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group (g) any joint venture partner, business or strategic alliance partner of any member of the Group (h) any discretionary trust whose discretionary objects may be any of (a) to (g).

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent. of the shares in issue as at the date of the adoption of the 2007 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company think fit, seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not exceed 10 per cent. of the shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2007 Share Option Scheme or any other scheme of the Company or exercised options under the said scheme) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent. of the shares in issue from time to time. As at the date of the annual report, a total of 82,368,000 shares (representing approximately 10 per cent. of the then issued share capital of the Company) are available for issue under the 2007 Share Option Scheme.

## 28. SHARE OPTIONS SCHEME (Cont'd)

**2007 Share Option Scheme** (Cont'd)

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2007 Share Option Scheme and any other option scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the total number of shares in issue.

The period within which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2007 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the 2007 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria conditions and the satisfactory performance. However, the 2007 Share Option Scheme itself does not specify any minimum holding period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal value of HK$1.00 in total by the grantee. The exercise period of the share options granted is determined by the Board of Directors, and shall not exceed a period of ten years after the date of grant.

The subscription price in respect of any particular option under the 2007 Share Option Scheme shall be such price as the Board may at its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options. The 2007 Share Option Scheme will expire on 19th September 2017. As at the end of reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

## 29. RETIREMENT BENEFITS SCHEMES

The Group operates the MPF Scheme established under the Mandatory Provident Fund Ordinance for its qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The PRC subsidiaries are required to contribute a certain percentage, ranging from 18% to 20%, of the payroll of their employees to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

At the end of reporting period, there were no significant forfeited contributions available to reduce the contribution payable in the future years.

## 29. RETIREMENT BENEFITS SCHEMES (Cont'd)

The total cost charged to the consolidated statement of comprehensive income of approximately HK$1.8 million (2009: HK$1.6 million) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 30. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had certain transactions with related parties. Details of these transactions with these related parties are as follows:

### (a) Transactions with related parties

| | **From 1st January 2010 to 31st December 2010 HK$'000** | From 27th February 2009 (Date of acquisition) to 31st December 2009 HK$'000 |
|---|---|---|
| Sales to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. (Note (i)) | **205,767** | 154,317 |
| Purchase from substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. (Note (ii)) | **113,360** | 65,372 |
| Rental and building management fee paid to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. (Note (iii)) | **860** | 539 |

Notes:

(i) Pursuant to four supply and service agreements dated 15th December 2008, which were approved by independent shareholders of the Company on 20th February 2009, SATT, a subsidiary of the Company, rendered supporting services to sweetener and ethanol business to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(ii) Pursuant to an supply and service agreement dated 15th December 2008, which were approved by independent shareholders of the Company on 20th February 2009, SATT, a subsidiary of Company, received supporting services to sweetener and ethanol business from the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(iii) The amount paid by SATT pursuant to tenancy agreements dated 15th December 2008 and 30th December 2009 between SATT, a subsidiary of Company and the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

## 30. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

### (b) Trade receivable and payable of related parties

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Trade receivables from four subsidiaries of COMPLANT International Sugar Industry Co., Ltd. (Note (i)) | **183,616** | 186,305 |
| Trade payable to substantial shareholder of COMPLANT International Sugar Industry Co., Ltd. (Note (ii)) | **91,913** | 70,570 |

Notes

(i) The trade receivables are interest free and unsecured, and for supporting services to sweetener and ethanol business rendered to four subsidiaries of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

(ii) The trade payable is interest free and unsecured, and for supporting services to sweetener and ethanol business rendered by the substantial shareholder of COMPLANT International Sugar Industry Co., Ltd., a substantial shareholder of the Company.

### (c) Key management personnel compensation

Remuneration for key management personnel is as follows:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Directors' fee | **105** | 160 |
| Basic salaries and allowances | **806** | 736 |
| Performance bonus | **692** | 523 |
| Retirement benefits scheme contributions | **118** | 27 |
| | **1,721** | 1,446 |

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 31. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December 2010 are as follows:

| Name of company | Place of Incorporation/ operations | Nominal value of issued and fully paid share capital/ registered capital | Effective proportion of issued registered capital held by the Company | Principal activities |
|---|---|---|---|---|
| Jumbo Right Investments Limited | British Virgin Islands/ Hong Kong | Ordinary shares US$1 | 100% | Investment holding |
| Sino-Africa Technology & Trading Limited ("SATT") | British Virgin Islands | Ordinary shares US$3,000,000 | 100% | Provision of supporting services to sweetener business |
| Sino-Africa Technology & Trading (Hong Kong) Limited ("SATT Hong Kong") | Hong Kong | Ordinary share HK$1 | 100% | Investment holding |
| River Right Limited | British Virgin Islands/Hong Kong | Ordinary share US$1 | 100% | Investment holding |
| Zheng Da Investments Limited | British Virgin Islands/Hong Kong | Ordinary share US$1 | 100% | Investment holding |
| Joyful Right Limited | British Virgin Islands/Hong Kong | Ordinary share US$1 | 100% | Investment holding |

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

## 32. INTERESTS IN SUBSIDIARIES

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | – | 496,175 |
| Amounts due from subsidiaries | 853,269 | 926,061 |
| | 853,269 | 1,422,236 |
| Impairment loss recognised | (25,000) | (541,198) |
| | 828,269 | 881,038 |

Details of the Company's subsidiaries at 31st December 2010 are set out in note 31.

In the opinion of the directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are unlikely to be repayable within one year from the end of reporting period and are therefore shown in the statement of financial position as non-current. The carrying amount approximates their fair value.

## 33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

## 34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company includes:

| | Notes | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Non-current asset | | | |
| Interests in subsidiaries | 32 | **828,269** | 881,038 |
| Current assets | | | |
| Bank balances and cash | | **165,161** | 89,016 |
| Current liabilities | | | |
| Other payables | | **546** | 21,962 |
| Amount due to a subsidiary | | **–** | 1,116 |
| | | **546** | 23,078 |
| Net current assets | | **164,615** | 65,938 |
| Total assets less current liabilities | | **992,884** | 946,976 |
| Non-current liability | | | |
| Convertible notes | | **501,381** | 459,890 |
| Net assets | | **491,503** | 487,086 |
| Capital and reserves | | | |
| Share capital | 26 | **124,868** | 124,868 |
| Reserves | | **366,635** | 362,218 |
| Total equity | | **491,503** | 487,086 |

# Five Years Financial Summary

## RESULTS

| | Year ended 31st December | | | | |
|---|---|---|---|---|---|
| | 2006* HK$'000 | 2007* HK$'000 | 2008* HK$'000 | 2009 HK$'000 | **2010 HK$'000** |
| **Continuing operations** | | | | | |
| Turnover | 718,909 | 615,203 | 537,003 | 154,317 | **205,767** |
| Cost of sales | (694,855) | (753,113) | (603,421) | (67,005) | **(120,930)** |
| Gross profit (loss) | 24,054 | (137,910) | (66,418) | 87,312 | **84,837** |
| Other operating income | 14,565 | 14,638 | 3,213 | 218 | **409** |
| Distribution cost | (408) | (220) | (174) | (15) | **(21)** |
| Administrative expenses | (19,874) | (22,707) | (27,331) | (18,827) | **(26,283)** |
| Other expenses | (124,154) | (111,911) | (103,869) | (112,882) | **(46,150)** |
| Profit (loss) profit from operations | (105,817) | (258,110) | (194,579) | (44,194) | **12,792** |
| Finance costs | (8,619) | (11,292) | (9,093) | (33,139) | **(41,491)** |
| Loss from ordinary activities before tax | (114,436) | (269,402) | (203,672) | (77,333) | **(28,699)** |
| Income tax (expense) income | 1,597 | (18,660) | (10,003) | – | **–** |
| | (112,839) | (288,062) | (213,675) | (77,333) | **(28,699)** |
| **Discontinued operations** | | | | | |
| Profit (loss) for the year from discontinued operations | – | – | – | (98,734) | **67,447** |
| Profit (loss) before non-controlling interests | (112,839) | (288,062) | (213,675) | (176,067) | **38,748** |
| Non-controlling interests | 39,477 | (5,906) | (4,139) | (3,046) | **(897)** |
| Net profit (loss) for the year | (73,362) | (293,968) | (217,814) | (179,113) | **37,851** |

## ASSETS AND LIABILITIES

| | At 31st December | | | | |
|---|---|---|---|---|---|
| | 2006* HK$'000 | 2007* HK$'000 | 2008* HK$'000 | 2009 HK$'000 | **2010 HK$'000** |
| Total assets | 938,353 | 611,218 | 391,892 | 1,217,815 | **1,101,291** |
| Total liabilities | (291,806) | (208,277) | (210,413) | (730,729) | **(609,752)** |
| Non-controlling interests | (2,096) | (2,096) | – | – | **–** |
| | 644,451 | 400,845 | 181,479 | 487,086 | **491,539** |

* The Results for each of the year from 2006 to 2008 have not been represented for the discontinued operations in 2009.