

KongSun  **江山**

Stock Code : 295



Kong Sun

HOLDINGS LIMITED

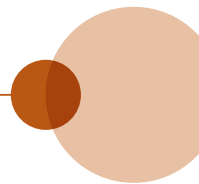
Annual Report 2011

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Corporate Information

EXECUTIVE DIRECTORS	Chan Chi Yuen (<i>Chairman</i>) Yu Pak Yan, Peter
INDEPENDENT NON-EXECUTIVE DIRECTORS	Lau Man Tak Man Kwok Leung Wong Yun Kuen
COMPANY SECRETARY	Tsang Kwai Ping
REGISTERED OFFICE	Unit 905, 9th Floor Wings Building Nos. 110–116 Queen’s Road Central, Central Hong Kong
AUDITOR	SHINEWING (HK) CPA Limited 43th Floor, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong
SOLICITOR	Henry Fok & Co.
PRINCIPAL BANKERS	Standard Chartered Bank (Hong Kong) Limited The Bank of China (HK) Limited Bank of Communications Co., Ltd.
SHARE REGISTRAR AND TRANSFER OFFICE	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Center 183 Queen’s Road East Hong Kong
STOCK CODE	295
CONTACT INFORMATION	Tel : 3970 4050 Fax : 3970 4055 Website : www.kongsun-holdings.com



Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Kong Sun Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2011.

We realize that innovation capacity is the key to upgrade corporate competitiveness in the life-like plants business. To this end and in furtherance of the Group's business objective in this sector, the Group successfully completed the acquisition of Lisun Plastic Factory Limited and its subsidiary, an artificial flowers manufacturer, in May 2011. The acquisition not only provided the Group with profit contribution but also an opportunity for the Group to diversify the Group's products, expand the customer base of the Group, and achieve economies of scale through mass production in the long run.

Thereafter, the Group has undertaken researches, identifying and evaluating potential diversified investment projects. No agreement was reached as at the date of this report. The Group has exercised additional cautions in the course of identifying suitable investment opportunities under the fluctuated global financial market.

Loss attributable to shareholders for the year ended 31 December 2011 has been widened from approximately HK\$23,904,000 to approximately HK\$43,416,000. Loss per share increased to HK6.04 cents as compared to HK4.63 cents in the previous year. Further reduction in deficit and possible return to profitability will be our next target for the years to come.

The major investment of the Group remains in Hong Kong and the People's Republic of China (the "PRC"). The Group will continue to focus on its existing businesses and looking forward for strategic investment opportunities with an aim to further strengthen the asset base and/or to generate stable income to the Group.

Finally, I would like to take this opportunity to extend my sincere thanks to all our business partners, shareholders, directors and staff for their support and contribution to the Group during the past year. With their continued trust and support, we are confident that the Group will overcome any difficulties that may come ahead and emerge all the strongest.

CHAN CHI YUEN

Chairman

Hong Kong
26 March 2012

Management Discussion and Analysis

Review of Operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in properties investment and development, manufacturing and sale of life-like plants and securities investment.

For the year ended 31 December 2011, the turnover of the Group amounted to approximately HK\$72,844,000. Loss attributable to shareholders has increased to approximately HK\$43,416,000 from approximately HK\$23,904,000 recorded in last year. The increase of loss for the year was mainly contributed by the overall decrease in gross profit margin of the Group, impairment loss on available-for-sale financial assets, fair value changes of convertible bonds and gain on fair value changes of investment properties.

Properties Investment and Development

The Group's properties investment and development business had contributed approximately HK\$2,258,000 to the total revenue of the Group for the year ended 31 December 2011. The turnover remained stable during the year. Given the result of low interest rate environment and land auctions with historical high prices, it gave a positive effect on both property prices and transaction volume. The Group's investment properties were valued approximately HK\$77,250,000 as at 31 December 2011, which represented an increment of approximately HK\$20,090,000 as compared to last year. It is expected that the revenue from the properties investment business would have a steady growth in the coming future.

Life-like Plants Business

The life-like plants business had contributed approximately HK\$69,171,000 to the total revenue of the Group for the year ended 31 December 2011. The newly acquired business which is engaged in manufacturing and sale of artificial flowers had contributed approximately HK\$8,747,000 to the Group's total revenue since the completion of the acquisition in May 2011. However, due to the adverse business environment caused by the debt crisis in Europe and the United States in the second half of 2011, less sale orders were received. In addition, the continuously rise of production costs in the PRC, including but not limited to the labour costs, made the business environment became more challenging. Despite the above factors, the Group will focus on the enhancement in production innovation and closely monitor the costs in order to maintain the competitiveness in the industry.

Securities Investment

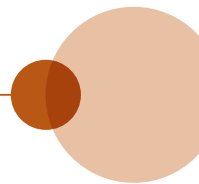
As at 31 December 2011, the Group managed a portfolio of investments in capital market with fair value of approximately HK\$7,906,000. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Prospects

Going to the new financial year, anticipated continuous inflation in the PRC caused by the strong demand of Renminbi ("RMB"), the labour costs and the raw material prices are expected to be in up trend. In order to maintain the competitiveness in life-like plants business, the Group will keep focus on production efficiency improvements and innovative product design. The Group is also actively looking for new investments and business opportunities to deliver the greatest return to shareholders.

Capital Structure

During the year ended 31 December 2011, the Group had no change in capital structure.



Management Discussion and Analysis

Investment Position and Planning

On 31 May 2011, the Group has acquired 100% equity interest of Lisun Plastic Factory Limited together with its subsidiary which are engaged in manufacturing and sale of artificial flowers at a consideration of HK\$20,000,000.

During the year ended 31 December 2011, the Group spent approximately HK\$3,080,000 for acquisition of plant and machinery, leasehold improvement and motor vehicles.

The Group has invested in shares of certain companies that are traded over the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2011, the Group has disposed of equity securities of a company listed on the Stock Exchange. As at 31 December 2011, the Group held long-term and short-term investments with fair value of approximately HK\$6,586,000 and HK\$1,320,000, respectively.

Saved as disclosed above, the Group did not have any other significant investment and there are no other material acquisition or disposal of subsidiaries and associated company during the year.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2011, the Group's bank deposits in the amount of approximately HK\$1,158,000 had been pledged to banks for the requirement of the PRC customs authorities.

As at 31 December 2011, the Group has pledged land and buildings with net book value of approximately HK\$3,360,000 to secure general banking facilities granted to the Group.

Details of the contingent liabilities as at 31 December 2011 are set out in note 46 to the financial statements.

Employees and Remuneration Policies

As at 31 December 2011, the Group has approximately 169 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with build-in-merit components incorporated in annual review to reward and motivate individual performance.

Liquidity and Financial Resources

As at 31 December 2011, the total shareholders fund of the Group amounted to approximately HK\$217,682,000 (2010: HK\$271,239,000), total assets of approximately HK\$252,200,000 (2010: HK\$301,384,000), current liabilities of approximately HK\$24,550,000 (2010: HK\$23,579,000) and non-current liabilities of approximately HK\$9,968,000 (2010: HK\$6,566,000).

The debt ratio (based on the total liabilities over the equity) of the Group increased from the ratio of 0.11 as at 31 December 2010 to 0.16 as at 31 December 2011.

The Group's business operation and investments are in Hong Kong and the PRC, most of the assets, liabilities and transactions of the Group are denominated in Hong Kong dollars and RMB. The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

Biographical Details of Directors and Senior Management

Mr. Chan Chi Yuen

Chairman

aged 44, joined the Group as an executive director from February 2007 to November 2009 and re-joined the Group on 8 December 2011 as an executive director. On 30 December 2011, Mr. Chan is appointed as the chairman of the Board. Mr. Chan is the director of certain subsidiaries of the Company. Mr. Chan holds a Bachelor degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and is an associate of the Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance. Mr. Chan is currently an executive director and chief executive director of Sam Woo Holdings Limited (stock code: 2322) and a non-executive director of New Times Energy Corporation Limited (stock code: 166). Mr. Chan is also an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351), China Gamma Group Limited (stock code: 164), China Gogreen Assets Investment Limited (stock code: 397), China Grand Forestry Green Resources Group Limited (stock code: 910), Media Asia Group Holdings Limited (stock code: 8075) and U-RIGHT International Holdings Limited (stock code: 627). Mr. Chan was an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145) from October 2009 to February 2011, Richly Field China Development Limited (stock code: 313) from February 2009 to August 2010 and Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010.

Mr. Yu Pak Yan, Peter

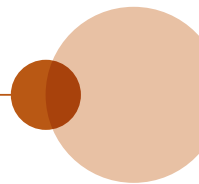
Executive Director

aged 60, joined the Group on 1 August 2008 and is also the director of certain subsidiaries of the Company. Mr. Yu has over 29 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor degree in Management from Youngstown State University in Ohio, USA and a Master of Science degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), M Dream Inworld Limited (stock code: 8100), China Grand Forestry Green Resources Group Limited (stock code: 910) and Sam Woo Holdings Limited (stock code: 2322).

Mr. Lau Man Tak

Independent Non-executive Director

aged 42, joined the Group on 1 September 2008 and is the chairman of the audit committee and the member of the remuneration committee of the Company. Mr. Lau graduated from Hong Kong Polytechnic University with a Bachelor degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), Climax International Company Limited (stock code: 439) and Guojin Resources Holdings Limited (stock code: 630). Mr. Lau was also a former executive director of Warderly International Holdings Limited (stock code: 607) from December 2007 to January 2010.



Biographical Details of Directors and Senior Management

Mr. Man Kwok Leung

Independent Non-executive Director

aged 65, joined the Group on 2 June 2009 and is the member of the audit committee and remuneration committee of the Company. Mr. Man is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. Mr. Man had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. Mr. Man is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Climax International Company Limited (stock code: 439), Sam Woo Holdings Limited (stock code: 2322), and Hua Yi Copper Holdings Limited (stock code: 559).

Dr. Wong Yun Kuen

Independent Non-executive Director

aged 54, joined the Group on 20 April 2007 and is the chairman of the remuneration committee and the member of the audit committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at the Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. Dr. Wong is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768). Dr. Wong is also an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Climax International Company Limited (stock code: 439), Kingston Financial Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910) and New Island Printing Holdings Limited (stock code: 377). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010. Dr. Wong was also an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are properties investment and development, manufacturing and sale of life-like plants and securities investment.

Major Customers and Suppliers

During the year, the Group's five largest suppliers accounted for approximately 65.8% of the Group's total purchases. The largest supplier accounted for approximately 22.3% of the Group's total purchases.

During the year, the Group's five largest customers accounted for approximately 88.3% of the Group's total sales. The largest customer accounted for approximately 78.6% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors, own more than 5% of the Company's issued share capital has a beneficial interest in any of the Group's five largest suppliers or customers.

Results

The Group's loss for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 20 to 24.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011.

Reserves

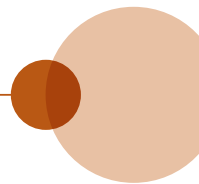
Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 25 and other details of the reserves of the Company are set out in note 37 to the financial statements.

Distributable Reserves

At 31 December 2011, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK\$126,958,000, may be distributed in the form of fully paid bonus shares.

Fixed Assets

Details of movements during the year in the investment properties, property, plant and equipment and prepaid lease payments of the Group are set out in notes 19, 20 and 21 to the financial statements respectively.



Directors' Report

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, reclassified and restated as appropriate, is set out on page 104. This summary does not form part of the audited consolidated financial statements.

Share Capital, Share Options and Warrants

Details of movements in the Company's share capital, share options and warrants during the year are set out in respective note 36, 38 and 39 to the financial statements.

Convertible Bonds

Details of movements in the Company's convertible bonds during the year are set out in note 33 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Hong Kong.

Purchase, Redemption or Sale of Company's Listed Securities

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

Directors

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

Executive directors

Chan Chi Yuen (*Chairman*) — appointed on 8 December 2011

Yu Pak Yan, Peter

Tse On Kin — resigned on 30 December 2011

Independent non-executive directors

Lau Man Tak

Man Kwok Leung

Wong Yun Kuen

Directors' Report

Directors (*continued*)

In accordance with article 77 of the Company's articles of association, Mr. Chan Chi Yuen will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with articles 81 to 84 of the Company's articles of association, Mr. Man Kwok Leung and Dr. Wong Yun Kuen will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

Biographical Details of Directors and Senior Management

Biographical details of the directors and senior management of the Company are set out on pages 6 to 7.

Directors' Interest in Contracts

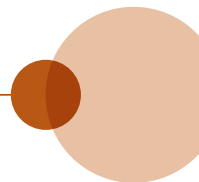
No contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or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

Directors' and Chief Executives' Interests in Shares

At 31 December 2011, none of the directors or chief executives of the Company or their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and Chief Executives' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or chief executives or their spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.



Directors' Report

Substantial Shareholders

At 31 December 2011, the following shareholder had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of Ordinary shares held	Percentage of issued share capital
Ho Kam Hung	Beneficial owner	50,040,600	6.96

Save as disclosed above, at 31 December 2011, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Contracts

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

Connected Transactions

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

Audit Committee

The audit committee has three independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial report matters including a review of the audited consolidated financial statements for the year ended 31 December 2011.

Directors' Report

Auditors

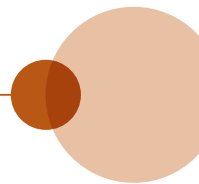
A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Chi Yuen

Chairman

Hong Kong
26 March 2012



Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2011.

Corporate Governance Practices

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") during the year under review, save for the deviation from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraph in this report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The company does not have any officer with the title of "chief executive officer". Mr. Chan Chi Yuen, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. 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 CG Code in this respect.

The Board of Directors

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategies, decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advices and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advices for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Corporate Governance Report

The Board of Directors *(continued)*

Composition

The Board currently comprises two executive directors and three independent non-executive directors from different business and professional fields. The directors, including independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board of the Company comprises the following directors:

Executive Directors:

Chan Chi Yuen
Yu Pak Yan, Peter

Independent Non-executive Directors:

Lau Man Tak *(Chairman of audit committee and member of remuneration committee)*
Man Kwok Leung *(Member of audit and remuneration committee)*
Wong Yun Kuen *(Chairman of remuneration committee and member of audit committee)*

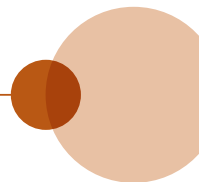
The profiles of each director are set out in the “Biographical Details of Directors and Senior Management” section in this annual report.

The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of the responsibilities.



Corporate Governance Report

The Board of Directors *(continued)*

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 7 times during the year ended 31 December 2011.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Minutes of all Board meetings sufficient details of matters considered and decisions reached are kept by the secretary of the meetings are open for inspection by the directors. The attendance of individual members of the Board and other board committees meetings during the year ended 31 December 2011 is set out in the table below:

	Meetings attended/Eligible to attend		
	Board of Directors	Audit Committee	Remuneration Committee
<i>Executive directors</i>			
Chan Chi Yuen — appointed on 8 December 2011	1/1	NA	NA
Yu Pak Yan, Peter	5/7	NA	NA
Tse On Kin — resigned on 30 December 2011	6/7	NA	NA
<i>Independent non-executive directors</i>			
Lau Man Tak	3/7	1/2	0/1
Man Kwok Leung	7/7	2/2	1/1
Wong Yun Kuen	6/7	2/2	1/1

Board Committees

The Board has established 2 committees, namely the audit committee and the remuneration committee for overseeing particular aspects of the Company's affairs. All board committees of the Company are established with defined written terms of reference.

The majority of the members of each board committees are independent non-executive directors. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advices in appropriate circumstances at the Company's expenses.

Corporate Governance Report

The Board of Directors *(continued)*

Board and Board Committee Meetings *(continued)*

Remuneration Committee

The remuneration committee comprises three independent non-executive directors of the Company, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Dr. Wong Yun Kuen is the chairman of the remuneration committee.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and senior management. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Audit Committee

The audit committee comprises three independent non-executive directors of the Company, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Mr. Lau Man Tak is the chairman of the audit committee. None of the members of the audit committee is a former partner of the Company's existing external auditors.

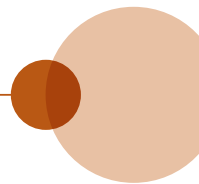
The main duties of the audit committee include the followings:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held two meetings during the year ended 31 December 2011 to review the financial results and report of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the year ended 31 December 2011.



Corporate Governance Report

Responsibilities in respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 December 2011, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 18 to 19.

External Auditors' Remuneration

For the year ended 31 December 2011, the remuneration in respect of the services rendered by the Group's external auditor is set out as follows:

Services rendered for the Group	SHINEWING (HK) CPA Limited <i>HK\$'000</i>
Audit services	780
Non-audit services (including taxation services, professional services rendered in relation to agreed upon procedures)	59
Total	839

Investor Relations and Communications

To promote the relationship between the Company and investor and to enhance the transparency of the operation of the enterprise, the Board is committed to provide clear and updated information of the Company to shareholders through the publication of notices, circulars, interim and annual reports.

Internal Control

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implement an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group.

The Board is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk. The Board has conducted a review of the effectiveness and adequacy of the internal control system of the Group and has reached the conclusion that the Group's internal control system was in place and effective.

Independent Auditor's Report



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

TO THE SHAREHOLDERS OF KONG SUN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

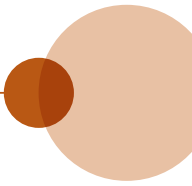
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chong Kwok Shing

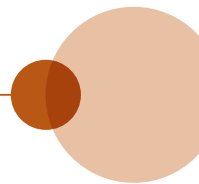
Practising Certificate Number: P05139

Hong Kong
26 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK\$'000	As restated 2010 HK\$'000
Turnover	7	72,844	84,262
Sale of life-like plants	7	69,171	82,006
Properties rental income	7	2,258	1,702
Dividend income from equity investments	7	38	—
Cost of sales		71,467 (67,332)	83,708 (72,261)
Gross profit		4,135	11,447
Loss on fair value changes of held-for-trading investments	27	(1,252)	(1,120)
Loss on disposal of held-for-trading investments	27	(873)	(67)
Impairment loss on available-for-sale financial assets	22	(11,358)	—
Gain on fair value changes of investment properties	19	19,720	5,895
Other revenue	9	7,177	816
Distribution and selling expenses		(2,852)	(3,718)
Administrative expenses		(22,827)	(30,069)
Finance costs	10	(1,900)	(3,243)
Fair value changes of convertible bonds	33	(32,706)	4,306
Loss on derecognition of contingent consideration	41	(856)	—
Loss on early redemption of promissory note	34	—	(9,577)
Loss before tax		(43,592)	(25,330)
Income tax credit	11	176	1,426
Loss for the year attributable to owners of the Company	12	(43,416)	(23,904)
Loss per share			
Basic and diluted	16	HK(6.04) cents	HK(4.63) cents



Consolidated Statement of Comprehensive Income

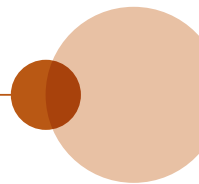
For the year ended 31 December 2011

	<i>Notes</i>	2011 HK\$'000	As restated 2010 HK\$'000
Loss for the year	12	(43,416)	(23,904)
Other comprehensive (expenses) income			
Exchange differences arising on translation of foreign operations		47	—
(Loss) gain on fair value changes of available-for-sale financial assets	22	(21,546)	10,188
Reclassification to consolidated income statement:			
Impairment loss on available-for-sale financial assets	22	11,358	—
Other comprehensive (expenses) income for the year, net of income tax		(10,141)	10,188
Total comprehensive expenses for the year attributable to owners of the Company		(53,557)	(13,716)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	At 31 December 2011 HK\$'000	As restated At 31 December 2010 HK\$'000	As restated At 1 January 2010 HK\$'000
Non-current assets				
Investment properties	19	77,250	57,160	50,315
Property, plant and equipment	20	54,768	35,756	37,266
Prepaid lease payments	21	13,948	14,421	14,894
Available-for-sale financial assets	22	6,586	28,132	—
Goodwill	23	8,582	—	—
		161,134	135,469	102,475
Current assets				
Inventories	24	10,997	14,325	13,001
Trade receivables	25	10,515	1,362	3,623
Other receivables, prepayments and deposits	26	6,190	2,552	3,082
Prepaid lease payments	21	473	473	473
Held-for-trading investments	27	1,320	4,822	4,063
Tax recoverable		—	—	126
Pledged bank deposits	28	1,158	7,018	6,962
Time deposits with maturities over three months	29	—	118,721	—
Bank balances and cash	29	60,413	16,642	118,634
		91,066	165,915	149,964
Current liabilities				
Trade and other payables	30	18,983	16,285	10,750
Bank borrowings	31	5,353	—	—
Obligations under finance leases	32	214	—	—
Convertible bonds	33	—	7,294	—
		24,550	23,579	10,750
Net current assets		66,516	142,336	139,214
Total assets less current liabilities		227,650	277,805	241,689



Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	At 31 December 2011 HK\$'000	As restated At 31 December 2010 HK\$'000	As restated At 1 January 2010 HK\$'000
Non-current liabilities				
Bank borrowings	31	168	—	—
Obligations under finance leases	32	716	—	—
Convertible bonds	33	—	—	11,600
Promissory notes	34	—	—	23,130
Deferred tax liabilities	35	9,084	6,566	7,992
		9,968	6,566	42,722
Net assets				
		217,682	271,239	198,967
Capital and reserves				
Share capital	36	143,793	143,793	83,782
Reserves		73,889	127,446	115,185
Total equity				
		217,682	271,239	198,967

The consolidated financial statements on pages 20 to 103 were approved and authorised for issue by the board of directors on 26 March 2012 and are signed on its behalf by:

Director

Director

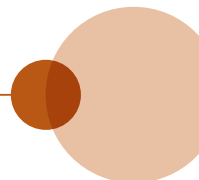
Statement of Financial Position

As At 31 December 2011

	Notes	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000
Non-current assets			
Investments in subsidiaries	17	470	—
Current assets			
Other receivables , prepayments and deposits	26	193	1,521
Amounts due from subsidiaries	18	172,257	228,801
		172,450	230,322
Current liabilities			
Other payables	30	6,586	6,430
Financial guarantee contract	46	235	—
Convertible bonds	33	—	7,294
		6,821	13,724
Net current assets		165,629	216,598
Net assets		166,099	216,598
Capital and reserves			
Share capital	36	143,793	143,793
Reserves	37	22,306	72,805
Total equity		166,099	216,598

Director

Director



Consolidated Statement of Changes in Equity

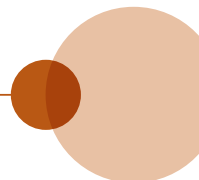
For the year ended 31 December 2011

	Attributable to owners of the Company							As restated Retained earnings (Accumulated losses)	Total
	Share capital	Share premium	Capital redemption reserve	Exchange reserve	Available- for-sale investment revaluation reserve	Share options reserve	Warrants reserve		
	(Note 36) HK\$'000	(Note 37) HK\$'000	(Note 37) HK\$'000	(Note 37) HK\$'000	HK\$'000	(Note 38) HK\$'000	(Note 39) HK\$'000	HK\$'000	HK\$'000
At 1 January 2010, as originally stated	83,782	105,752	20	—	—	—	—	4,510	194,064
Effect of changes in accounting policy (Note 2)	—	—	—	—	—	—	—	4,903	4,903
At 1 January 2010, as restated	83,782	105,752	20	—	—	—	—	9,413	198,967
Loss for the year, as restated	—	—	—	—	—	—	—	(23,904)	(23,904)
Other comprehensive income for the year	—	—	—	—	10,188	—	—	—	10,188
Total comprehensive income (expenses) for the year	—	—	—	—	10,188	—	—	(23,904)	(13,716)
Issue of shares:									
— upon placing	12,080	12,080	—	—	—	—	—	—	24,160
— upon open offer	47,931	11,983	—	—	—	—	—	—	59,914
Transaction costs attributable to issue of shares	—	(2,857)	—	—	—	—	—	—	(2,857)
Recognition of equity-settled share-based payments	—	—	—	—	—	3,000	—	—	3,000
Placing of non-listed warrants	—	—	—	—	—	—	1,917	—	1,917
Transactions costs attributable to issue of warrants	—	—	—	—	—	—	(146)	—	(146)
	60,011	21,206	—	—	—	3,000	1,771	—	85,988
At 31 December 2010 and 1 January 2011, as originally stated	143,793	126,958	20	—	10,188	3,000	1,771	(20,328)	265,402
Effect of changes in accounting policy (Note 2)	—	—	—	—	—	—	—	5,837	5,837
At 31 December 2010 and 1 January 2011, as restated	143,793	126,958	20	—	10,188	3,000	1,771	(14,491)	271,239
Loss for the year	—	—	—	—	—	—	—	(43,416)	(43,416)
Other comprehensive income (expenses) for the year	—	—	—	47	(10,188)	—	—	—	(10,141)
Total comprehensive income (expenses) for the year	—	—	—	47	(10,188)	—	—	(43,416)	(53,557)
At 31 December 2011	143,793	126,958	20	47	—	3,000	1,771	(57,907)	217,682

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK\$'000	As restated 2010 HK\$'000
OPERATING ACTIVITIES			
Loss before tax		(43,592)	(25,330)
Adjustments for:			
Amortisation of prepaid lease payments		473	473
Depreciation of property, plant and equipment		4,244	3,133
Finance costs		1,900	3,243
Gain on fair value changes of investment properties		(19,720)	(5,895)
Gain on disposal of plant and equipment		(2,073)	—
Loss (gain) on fair value changes of convertible bonds		32,706	(4,306)
Loss on fair value changes of held-for-trading investments		1,252	1,120
Impairment loss on available-for-sale financial assets		11,358	—
Loss on written off of property, plant and equipment		278	—
Interest income		(1,651)	(437)
Loss on derecognition of contingent consideration		856	—
Loss on early redemption of promissory note		—	9,577
Share-based payment expense		—	3,000
Operating cash flows before movements in working capital		(13,969)	(15,422)
Decrease (increase) in inventories		6,345	(1,324)
(Increase) decrease in trade receivables		(8,600)	2,261
Decrease in other receivables, prepayments and deposits		55	530
Decrease (increase) in held-for-trading investments		2,250	(1,879)
(Decrease) increase in trade and other payables		(3,982)	5,535
Cash used in operating activities		(17,901)	(10,299)
Income tax (paid) refunded		(111)	126
NET CASH USED IN OPERATING ACTIVITIES		(18,012)	(10,173)
INVESTING ACTIVITIES			
Increase in available-for-sale financial assets		—	(17,944)
Additions of investment properties		(370)	(950)
Interest received		1,651	437
Net cash outflows on acquisition of a subsidiary	41	(22,324)	—
Proceeds from disposal of plant and equipment		2,575	—
Purchases of plant and equipment		(2,126)	(1,623)
Withdrawal (placement) of pledged bank deposits		5,963	(56)
Withdrawal (placement) of time deposits with maturities over three months		118,721	(118,721)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		104,090	(138,857)



Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK\$'000	As restated 2010 HK\$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares upon open offer	—	59,914
Proceeds from issue of shares upon placing	—	24,160
Proceeds from placing of warrants	—	1,917
New bank borrowings raised	4,700	—
Repayments of bank borrowings	(5,106)	—
Repayments of obligations under finance leases	(46)	—
Repayments of promissory note	—	(33,800)
Payment for shares issue costs	—	(2,857)
Repayments of convertible bonds	(40,000)	—
Interest paid	(1,900)	(2,150)
Payment for warrants issue costs	—	(146)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(42,352)	47,038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,726	(101,992)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	16,642	118,634
Effect of foreign exchange rate changes	45	—
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	60,413	16,642

Notes to the Financial Statements

For the year ended 31 December 2011

1. General Information

The Company is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in Note 17.

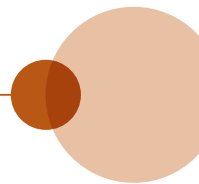
The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the Group has early adopted the amendments to Hong Kong Accounting Standard ("HKAS") 12 "Deferred Tax — Recovery of Underlying Assets" in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property".

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

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



Notes to the Financial Statements

For the year ended 31 December 2011

2. Application of New And Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

Amendments to HKAS 12 have been applied in advance retrospectively of their effective date (annual period beginning on or after 1 January 2012). The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstance.

As a result, the Group’s investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. This resulted in deferred tax liabilities being decreased by approximately HK\$4,903,000 and HK\$5,837,000 as at 1 January 2010 and 31 December 2010 respectively, with the corresponding adjustment being recognised in retained earnings/accumulated losses.

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in loss for the year being decreased by approximately HK\$3,217,000 (2010: HK\$934,000).

The adoption of amendments to HKAS 12 had no impact on the Company’s financial performance and positions for the current and prior years and/or on the disclosures as the Company do not have any investment property.

Notes to the Financial Statements

For the year ended 31 December 2011

2. Application of New And Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets (continued)

Summary of the effects of the above changes in accounting policy

- (i) The effects of changes in accounting policy described above on the results for the current and prior years by line items are as follows:

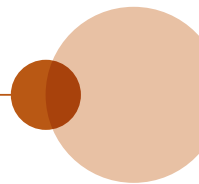
	2011 HK\$'000	2010 <i>HK\$'000</i>
Decrease in taxation and decrease in loss for the year	3,217	934
Decrease in loss for the year attributable to owners of the Company	3,217	934

- (ii) The effect of the above changes in accounting policy on the financial position of the Group as at 1 January 2010 and 31 December 2010 are as follows:

	At 31 December 2010			At 1 January 2010		
	Originally stated HK\$'000	Amendments to HKAS12 HK\$'000	Restated HK\$'000	Originally stated HK\$'000	Amendments to HKAS12 HK\$'000	Restated HK\$'000
Deferred taxation (Accumulated losses)	(12,403)	5,837	(6,566)	(12,895)	4,903	(7,992)
Retained earnings	(20,328)	5,837	(14,491)	4,510	4,903	9,413

- (iii) The effects of the above changes in accounting policy on the Group's basic and diluted loss per share for the current and prior years are as follows:

	Impact on basic and diluted loss per share	
	2011 HK cents	2010 <i>HK cents</i>
Figures before adjustments	(6.49)	(4.81)
Adjustments arising from changes in the Group's accounting policy in relation to:		
Deferred tax for investment properties	0.45	0.18
Figures after adjustments	(6.04)	(4.63)



Notes to the Financial Statements

For the year ended 31 December 2011

2. Application of New And Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs issued but not yet effective

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

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

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

² Effective for annual period beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 July 2012.

⁵ Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. Application of New And Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

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

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

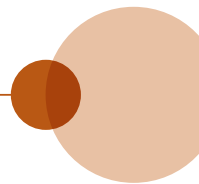
The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) (“FVTPL”) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the changes in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.



Notes to the Financial Statements

For the year ended 31 December 2011

2. Application of New And Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

The directors of the Company are in the process of assessing the impact from application of the new standard on the results and the financial position of the Company.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

2. Application of New And Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

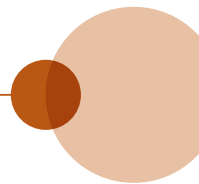
HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies (*continued*)

Business combinations

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

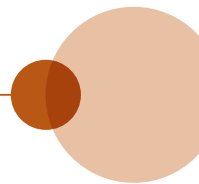
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

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.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Investments in subsidiaries

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

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 cash-generating units (or groups of cash-generating units) that is 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 whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generating unit to which goodwill has been allocated is test for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. 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 amount of profit or loss on disposal.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which item is derecognised.

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings 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, less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

Prepaid lease payments

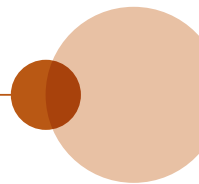
Prepaid lease payments represent lease prepayments paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Leasing *(continued)*

The Group as lessee

Assets held under finance lease are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Revenue recognition

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

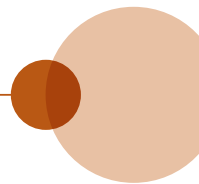
Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied.

- the Group has transferred to the buyer the significant risk and reward of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

Rental income from operating leases is recognised on a straight-line basis over the terms of the leases.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange difference arising are recognised in equity under the heading of exchange reserve.

Retirement benefit costs

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

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 come 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.

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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.

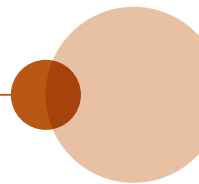
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Properties", such properties' value are presumed to be recovered through sales. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group who business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles (i.e. based on the expected manner as to how the properties will be recovered).

Where current tax or deferred tax arises from the initial amounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Provisions

Provision are recognised when the Group has a present obligation as a result of a past event, and 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. Provisions are measured at 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).

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other revenue" line item in the consolidated income statement. Fair value is determined in the manner described in Note 6.

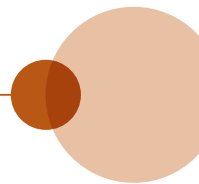
Loans and receivables

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

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 available-for-sale investment revaluation reserve, until when the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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 considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

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

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

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

For certain categories of financial asset, such as trade receivables, other receivables and amounts due from subsidiaries, assets that are assessed not to be impaired individually are, in addition, 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 average credit period of 60 days, 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 is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

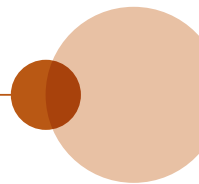
Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss 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.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities designated as at FVTPL upon initial recognition.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group 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
- 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.

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

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Other financial liabilities

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

Convertible bonds

Convertible bonds issued by the Company (including related embedded derivatives) are designated as financial liabilities at FVTPL.

Equity instruments

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

Warrants

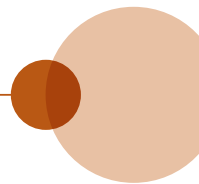
Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained earnings/accumulated losses.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.



Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Derecognition

The Group derecognises a financial assets only when the contractual rights to the cash flows from the assets expire, the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset.

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When 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/accumulate losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Notes to the Financial Statements

For the year ended 31 December 2011

3. Significant Accounting Policies *(continued)*

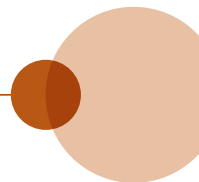
Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

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



Notes to the Financial Statements

For the year ended 31 December 2011

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical accounting judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Critical judgements of litigation

The Group is involved in the lawsuits and claims for both years ended 31 December 2011 and 2010. The directors of the Company believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the consolidated financial statements. Details of litigation are disclosed in Note 40.

Key sources of estimation uncertainty

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

Estimated 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 the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is approximately HK\$8,582,000 (2010: Nil). No impairment loss was recognised during the year ended 31 December 2011. Details of the recoverable amount calculation are disclosed in Note 23.

Notes to the Financial Statements

For the year ended 31 December 2011

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

Estimated impairment losses in respect of trade receivables

The policy for making impairment losses on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. No impairment loss was recognised during the year ended 31 December 2011. Details of trade receivables are disclosed in Note 25.

Fair value of convertible bonds

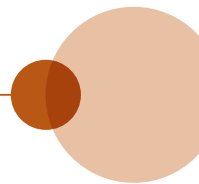
The fair values of the convertible bonds were calculated using the Binomial Model. The models involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation. On 16 December 2011, convertible bonds had been fully redeemed by the Company and a loss on changes in fair value of approximately HK\$32,706,000 (2010: gain of approximately HK\$4,306,000) has been recognised in the consolidated income statement. Details of convertible bonds are disclosed in Note 33.

Fair value of financial guarantee contract

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Fair value of financial guarantee at inception date amounted to approximately HK\$470,000 has been recognised in the Company's statement of financial position. Details of financial guarantee contract are disclosed in Note 46.

Estimated useful lives of property, plant and equipment

The Group's carrying values of property, plant and equipment as at 31 December 2011 was approximately HK\$54,768,000 (2010: HK\$35,756,000). The Group depreciates the property, plant and equipment over the shorter of the unexpired term of leases and their estimated useful lives, and after taking into account of their estimated residual values, using the straight-line method, at the rates ranging from 2% to 20% per annum. The estimated useful life reflects the directors of the Company estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.



Notes to the Financial Statements

For the year ended 31 December 2011

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of property, plant and equipment and prepaid lease payments

The impairment loss for property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amount exceeds its recoverable amount, in accordance with the Group's accounting policy.

The Group evaluates whether property, plant and equipment and prepaid lease payments have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business plan going forward, the current sales orders on hand and other strategic new business development. No impairment loss in respect of property, plant and equipment and prepaid lease payments were recognised for the years ended 31 December 2011 and 2010.

Allowances for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. No impairment loss was recognised during the year ended 31 December 2011. Details of inventories are disclosed in Note 24.

5. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes bank borrowings, obligations under finance leases, convertible bonds, net of pledged bank deposits, time deposits with maturities over three months, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments

(a) Categories of financial instruments

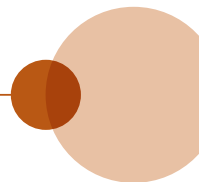
	The Group		The Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<i>Financial assets</i>				
Available-for-sale financial assets	6,586	28,132	—	—
Fair value through profit or loss				
Held-for-trading investments	1,320	4,822	—	—
Loan and receivables (including cash and cash equivalents)	74,631	145,132	172,257	228,169
<i>Financial liabilities</i>				
At amortised cost	23,075	15,237	6,586	6,430
Fair value through profit or loss ("FVTPL")				
Designated as at FVTPL (see below)	—	7,294	—	7,294
Financial guarantee contract	—	—	235	—

Financial liabilities designated as at FVTPL

In the opinion of the directors, the change in the fair value of the financial liabilities is unrepresentative of the change in its credit risk and the exposure is considered as insignificant.

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, trade receivables, other receivables, held-for-trading investments, pledged bank deposits, time deposits with maturities over three months, bank balances and cash, trade and other payables, bank borrowings, obligations under finance leases, financial guarantee contract and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 92% (2010: 93%) of the Group's sales and 56% (2010: 78%) of its costs are denominated in currencies other than the functional currency of the Group entity making the sale and purchase.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
United States Dollars ("US\$")	13,175	10,004	1,083	648
Renminbi ("RMB")	44,005	120,747	9,722	6,470

Sensitivity analysis

The Group is mainly exposed to the US\$ and RMB.

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in HK\$ against the relevant foreign currencies. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2010: 5%) change in foreign currency rates. A positive number below indicates an increase in loss where HK\$ strengthen 5% (2010: 5%) against the relevant currency. For a 5% (2010: 5%) weakening of HK\$ against the relevant currency, there would be an equal and opposite impact on the loss and the balances below would be negative.

	US\$ impact		RMB impact	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit or loss	605	468	1,714	5,714

Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

As at 31 December 2011 and 2010, the Group and the Company was exposed to fair value interest rate risk in relation to fixed rate bank borrowings of approximately HK\$924,000 (2010: Nil), obligations under finance lease of approximately HK\$930,000 (2010: Nil) and convertible bonds of nil (2010: approximately HK\$7,294,000) (see Notes 31, 32 and 33 respectively for details).

The Group was also exposed to cash flow interest rate risk in relation to variable rate bank borrowings of approximately HK\$4,597,000 (2010: Nil) (see Note 31 for details) for the years ended 31 December 2011 and 2010. The Group's exposure to interest rate risk is minimal as the bank borrowings with variable rate have a short maturity period, accordingly, no sensitivity analysis is presented.

The Group currently does not have any interest rate hedging policy.

(iii) Other price risks

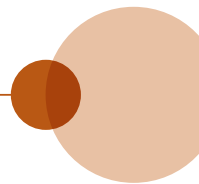
The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's other price risk is mainly concentrated on equity instruments listed in Hong Kong.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower:

- loss for the year ended 31 December 2011 would decrease/increase by approximately HK\$132,000 (2010: decrease/increase by approximately HK\$482,000) for the Group as a result of the changes in fair value of held-for-trading investments; and
- other comprehensive income would increase/decrease by approximately HK\$659,000 (2010: increase/decrease by approximately HK\$2,813,000) for the Group as a result of the changes in fair value of available-for-sale financial assets.



Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 December 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group or the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the Company's statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable balance 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 and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the United States of America ("USA"), which accounted for approximately 99% (2010: 96%) of the total trade receivables as at 31 December 2011.

The Group has concentration of credit risk as approximately 92% (2010: 96%) and approximately 100% (2010: 96%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively within the manufacturing and sale of life-like plants segment as at 31 December 2011.

Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

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.

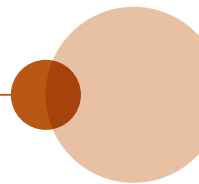
Maturity analysis

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

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

The Group

	Weighted average interest rate %	On demand/ within one year HK\$'000	One to two years HK\$'000	More than two years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2011						
Trade and other payables	—	16,624	—	—	16,624	16,624
Obligations under finance leases	6.59%	269	269	516	1,054	930
Bank borrowings						
— fixed rate (Note)	7.90%	784	172	—	956	924
— variable rate (Note)	2.84%	4,597	—	—	4,597	4,597
		22,274	441	516	23,231	23,075
At 31 December 2010						
Trade and other payables	—	15,237	—	—	15,237	15,237
Convertible bonds	2.25%	41,600	—	—	41,600	7,294
		56,837	—	—	56,837	22,531



Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Note:

Bank borrowings with a repayment on demand clause are included in the "on demand/within one year" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these bank loans with a fixed interest rate and variable interest rate amounted to approximately HK\$442,000 and HK\$4,597,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be fully repaid ten years after the end of reporting period in accordance with the scheduled repayment dates set out in the loans agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$5,730,000.

The Company

	Weighted average interest rate %	On demand/ within one year HK\$'000	One to two years HK\$'000	More than two years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2011						
Other payables	—	6,586	—	—	6,586	6,586
Financial guarantee contract (Note)	—	4,597	—	—	4,597	235
		11,183	—	—	11,183	6,821
At 31 December 2010						
Other payables	—	6,430	—	—	6,430	6,430
Convertible bonds	2.25%	41,600	—	—	41,600	7,294
		48,030	—	—	48,030	13,724

Note:

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the land and buildings held by the counterparty which are guaranteed suffer market value losses.

Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments *(continued)*

(c) Fair value

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

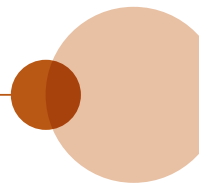
- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the statements of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments (continued)

(c) Fair value (continued)

Fair value measurements recognised in the statements of financial position (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2011				
The Group				
Financial assets at FVTPL				
Listed equity securities	1,320	—	—	1,320
Available-for-sale financial assets				
Listed equity securities	6,586	—	—	6,586
The Company				
Financial liabilities at FVTPL				
Financial guarantee contract	—	—	235	235
At 31 December 2010				
The Group				
Financial assets at FVTPL				
Listed equity securities	4,822	—	—	4,822
Available-for-sale financial assets				
Listed equity securities	28,132	—	—	28,132
The Group and the Company				
Financial liabilities at FVTPL				
Convertible bonds	—	7,294	—	7,294

There were no transfers between Level 1, 2 and 3 in the current and prior years.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Financial guarantee contract HK\$'000
Issues	470
Amortisation	(235)
At 31 December 2011	235

Notes to the Financial Statements

For the year ended 31 December 2011

6. Financial Instruments *(continued)*

(c) Fair value *(continued)*

Significant assumptions used in determining fair value of financial liabilities

Financial guarantee contract

The fair value of financial guarantees issued by the Company to its subsidiary is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, by comparing the actual rates charged by lenders when the guarantee is made available with the estimates rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

Convertible bonds

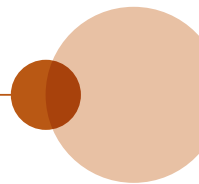
The fair value of the convertible bonds is determined assuming whenever it is optimum to exercise both the Company's redemption option and the convertible bonds holders' conversion options, the Company will have the higher priority to exercise its redemption option before the convertible bonds holders exercise their conversion options. Under the above assumption, the fair values of the convertible bonds would not exceed their principal values immediately before the convertible bonds holders exercise their conversion options.

7. Turnover

An analysis of the Group's turnover for the year is as follows:

	2011	2010
	HK\$'000	HK\$'000
Sale of life-like plants	69,171	82,006
Properties rental income	2,258	1,702
Dividend income from held-for-trading investment	38	—
Proceeds from disposal of held-for-trading investments	1,377	554
	72,844	84,262

The direct operating expenses from investment properties that generated rental income amounted to approximately HK\$159,000 (2010: HK\$105,000) for the year ended 31 December 2011.



Notes to the Financial Statements

For the year ended 31 December 2011

8. Segment Information

Information reported to the board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and investments.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- (a) Manufacturing and sale of life-like plants
- (b) Properties investment
- (c) Securities investment

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2011

	Manufacturing and sale of life-like plants <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	69,171	2,258	1,415	72,844
Segment revenue	69,171	2,258	38	71,467
Segment (loss) profit	(15,669)	21,366	3,043	8,740
Unallocated corporate operating income				12
Unallocated corporate operating expenses				(5,524)
Finance costs				(1,900)
Impairment loss on available-for-sale financial assets				(11,358)
Loss on derecognition of contingent consideration				(856)
Fair value changes of convertible bonds				(32,706)
Loss before tax				(43,592)

Notes to the Financial Statements

For the year ended 31 December 2011

8. Segment Information *(continued)*

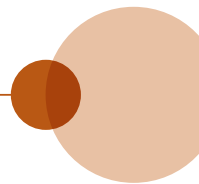
Segment revenue and results *(continued)*

For the year ended 31 December 2010

	Manufacturing and sale of life-like plants <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	82,006	1,702	554	84,262
Segment revenue	82,006	1,702	—	83,708
Segment (loss) profit	(12,422)	6,914	(1,187)	(6,695)
Unallocated corporate operating income				437
Unallocated corporate operating expenses				(10,558)
Finance costs				(3,243)
Fair value changes of convertible bonds				4,306
Loss on early redemption of promissory note				(9,577)
Loss before tax				(25,330)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain indirect administration costs, interest income, directors' emoluments, fair value changes of convertible bonds, finance cost, loss on derecognition of contingent consideration, impairment loss on available-for-sale financial assets and loss on early redemption of promissory note. This is the measure reported to the chief operating decision marker for the purposes of resource allocation and assessment of segment performance.



Notes to the Financial Statements

For the year ended 31 December 2011

8. Segment Information (continued)

Segment assets and liabilities

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

	At 31 December 2011 HK\$'000	As restated At 31 December 2010 HK\$'000	As restated At 1 January 2010 HK\$'000
Segment assets			
Manufacturing and sale of life-like plants	104,183	66,016	71,616
Properties investment	78,301	57,999	50,771
Securities investment	45,942	5,336	4,063
Total segment assets	228,426	129,351	126,450
Unallocated corporate assets	23,774	172,033	125,989
Consolidated total assets	252,200	301,384	252,439
Segment liabilities			
Manufacturing and sale of life-like plants	12,008	9,402	3,906
Properties investment	365	450	402
Securities investment	25	—	—
Total segment liabilities	12,398	9,852	4,308
Unallocated corporate liabilities	22,120	20,293	49,164
Consolidated total liabilities	34,518	30,145	53,472

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain available-for-sale financial assets, other receivables, prepayments and deposits, pledged bank deposits, time deposits with maturities over three months and bank balances and cash as these assets are managed on a group basis.
- all liabilities are allocated to reportable segments other than certain other payables, deferred tax liabilities, convertible bonds, bank borrowings, obligations under finance leases and promissory notes as these liabilities are managed on a group basis.

Notes to the Financial Statements

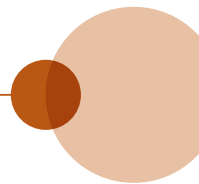
For the year ended 31 December 2011

8. Segment Information (continued)

Other segment information

2011

	Manufacturing and sale of life-like plants HK\$'000	Properties investment HK\$'000	Securities investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	3,051	399	—	—	3,450
Amortisation of prepaid lease payments	473	—	—	—	473
Depreciation of property, plant and equipment	4,179	65	—	—	4,244
Gain on fair value changes of investment properties	—	(19,720)	—	—	(19,720)
Loss on derecognition of contingent consideration	—	—	—	856	856
Impairment loss on available-for-sale financial assets	—	—	—	11,358	11,358
Loss on fair value changes of held-for-trading investments	—	—	1,252	—	1,252
Loss on disposal of held-for-trading investments	—	—	873	—	873
Loss on written off property, plant and equipment	—	278	—	—	278
Gain on disposal of plant and equipment	(2,073)	—	—	—	(2,073)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss					
Interest income	(8)	—	—	(1,643)	(1,651)
Finance costs	318	—	—	1,582	1,900
Income tax (credit) expenses	(213)	37	—	—	(176)
Fair value changes of convertible bonds	—	—	—	32,706	32,706



Notes to the Financial Statements

For the year ended 31 December 2011

8. Segment Information (continued)

Other segment information

2010

	Manufacturing and sale of life-like plants HK\$'000	Properties investment HK\$'000	Securities investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	1,407	1,166	—	—	2,573
Amortisation of prepaid lease payments	473	—	—	—	473
Depreciation of property, plant and equipment	2,979	154	—	—	3,133
Gain on fair value changes of investment properties	—	(5,895)	—	—	(5,895)
Loss on fair value changes of held-for-trading investments	—	—	1,120	—	1,120
Loss on disposal of held-for-trading investments	—	—	67	—	67
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	(14)	—	—	(423)	(437)
Finance costs	27	—	—	3,216	3,243
Income tax credit, as restated	(363)	(1,063)	—	—	(1,426)
Fair value changes of convertible bonds	—	—	—	(4,306)	(4,306)
Loss on early redemption of promissory note	—	—	—	9,577	9,577

Note: Non-current assets excluded those relating to financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2011

8. Segment Information (continued)

Geographical information

The Group's operations are located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets by geographical locations of the assets are detailed below:

	Revenue from external customers		Non-current assets (Note)	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong (place of domicile)	8,148	4,318	86,026	57,668
PRC	—	—	68,522	49,669
USA	58,789	74,582	—	—
Others	4,530	4,808	—	—
	71,467	83,708	154,548	107,337

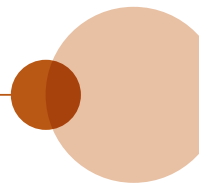
Note: Non-current assets excluded those relating to financial instruments.

Information about major customers

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

	2011 HK\$'000	2010 HK\$'000
Customer A	54,383	72,387

All revenue generated from the major customer relates to the sale of life-like plants.



Notes to the Financial Statements

For the year ended 31 December 2011

9. Other Revenue

	2011 HK\$'000	2010 HK\$'000
Net foreign exchange gain	3,083	—
Gain on disposal of plant and equipment	2,073	—
Interest income	1,651	437
Sundry income	370	379
	7,177	816

10. Finance Costs

	2011 HK\$'000	2010 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	259	—
Finance leases	28	—
Interest on convertible bonds	1,582	1,600
Interest on promissory notes	—	1,616
Interest on bank overdrafts	31	27
	1,900	3,243

Notes to the Financial Statements

For the year ended 31 December 2011

11. Income Tax Credit

	2011 HK\$'000	As restated 2010 HK\$'000
Under provision in prior years:		
PRC Enterprise Income Tax	111	—
Deferred tax (<i>Note 35</i>):		
Current year	(287)	(1,426)
	(176)	(1,426)

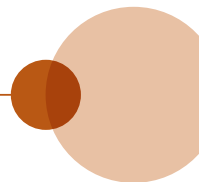
Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the two years ended 31 December 2011 and 2010.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follow:

	2011 HK\$'000	As restated 2010 HK\$'000
Loss before tax	(43,592)	(25,330)
Tax at the domestic income tax rate at 16.5% (2010: 16.5%)	(7,193)	(4,179)
Tax effect of expenses not deductible for tax purpose	8,042	3,688
Tax effect of income not taxable for tax purpose	(4,495)	(3,015)
Tax effect of tax loss not recognised	14,390	2,893
Tax effect of deductible temporary differences not recognised	(212)	87
Utilisation of tax losses previously not recognised	(9,331)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,583)	(900)
Effect of tax exemption granted to a subsidiary	95	—
Under provision in prior years	111	—
Income tax credit for the year	(176)	(1,426)

Details of the deferred tax liabilities are set out in Note 35.



Notes to the Financial Statements

For the year ended 31 December 2011

12. Loss for the Year

Loss for the year has been arrived at after charging (crediting):

	2011 HK\$'000	2010 HK\$'000
Auditor's remuneration	814	650
Staff costs:		
Directors' remuneration (<i>Note 13</i>)	304	300
Wages, salaries and other benefits (excluding directors)	15,125	14,378
Share-based payment expense (<i>Note 38</i>)	—	447
Retirement benefit costs (excluding directors)	313	360
<hr/>		
Total staff costs	15,742	15,485
Share-based payment expense (<i>Note 38</i>) (<i>Note</i>)	—	3,000
Cost of inventories recognised as an expense	67,332	72,261
Amortisation of prepaid lease payments	473	473
Depreciation of property, plant and equipment	4,244	3,133
Operating lease rental on rented premises	879	536
Net foreign exchange (gain) losses	(3,083)	1,889

Note: For the year ended 31 December 2010, share-based payment expense included the amount of approximately HK\$447,000 in relation to the share options granted to an employee as set out in the staff costs.

Notes to the Financial Statements

For the year ended 31 December 2011

13. Directors' Emoluments

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is stated as follows:

For the year ended 31 December 2011

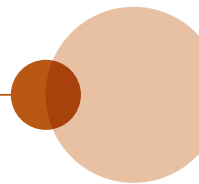
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:				
Chan Chi Yuen (appointed on 8 December 2011)	4	—	—	4
Tse On Kin (resigned on 30 December 2011)	60	—	—	60
Yu Pak Yan, Peter	60	—	—	60
Independent non-executive directors:				
Lau Man Tak	60	—	—	60
Man Kwok Leung	60	—	—	60
Wong Yun Kuen	60	—	—	60
	304	—	—	304

For the year ended 31 December 2010

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive directors:				
Tse On Kin	60	—	—	60
Yu Pak Yan, Peter	60	—	—	60
Independent non-executive directors:				
Lau Man Tak	60	—	—	60
Man Kwok Leung	60	—	—	60
Wong Yun Kuen	60	—	—	60
	300	—	—	300

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years ended 31 December 2011 and 2010.

None of the director waived or agreed to waive any emoluments for both years ended 31 December 2011 and 2010.



Notes to the Financial Statements

For the year ended 31 December 2011

14. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, no director (2010: Nil) of the Company whose emoluments are included in Note 13 above. The emolument of the remaining five (2010: five) individuals were as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,310	2,118
Retirement benefit costs	34	34
Share-based payment expense	—	447
	2,344	2,599

The emoluments were all within the following band:

	Number of individuals	
	2011	2010
Nil-HK\$1,000,000	5	5

For both years ended 31 December 2011 and 2010, no emoluments was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.

15. Dividend

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

Notes to the Financial Statements

For the year ended 31 December 2011

16. Loss per Share

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

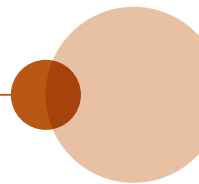
	2011 HK\$'000	As restated 2010 HK\$'000
Loss for the year attributable to owners of the Company	(43,416)	(23,904)
	Number of shares	
	2011 '000	2010 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	718,962	516,526

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and conversion of Company's outstanding warrants since their exercise would result in a decrease in loss per share from continuing operations for both years ended 31 December 2010 and 2011.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding convertible bonds because the exercise price of the convertible bonds was higher than the average market price for shares for the year ended 31 December 2010.

17. Investments in Subsidiaries

	The Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	470	—
Less: Impairment loss	—	—
	470	—



Notes to the Financial Statements

For the year ended 31 December 2011

17. Investments in Subsidiaries (continued)

The following list contains only the particulars of subsidiaries which in the opinion of the directors of the Company, those subsidiaries principally affect the results, assets and liabilities of the Group as at 31 December 2011 and 2010. To give details of other subsidiaries would in the opinion of the directors of the Company, result in particulars of excessive length. The class of shares held is ordinary unless otherwise stated. As of 31 December 2011, the Group had effective interests in the following principal subsidiaries:

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Coast Holdings Limited	Hong Kong	100,000 shares of HK\$1 each	100%	—	100%	Properties investment
Kingston Property Investment Limited	Hong Kong	20,000 shares of HK\$1 each	100%	—	100%	Properties investment
Dongguan United Art Plastic Products Limited	PRC	Paid up capital of HK\$49,000,000 (RMB55,066,200)	100%	—	100%	Manufacturing and sale of life-like plants
Lisun Plastic Factory Limited	Hong Kong	600,000 shares of HK\$1 each	100% (Note (i))	—	100%	Sale of life-like plants
惠東縣麗新塑膠廠有限公司	PRC	Paid up capital of US\$250,000	100% (Note (i))	—	100%	Manufacturing and sale of life-like plants
FT Far East Limited	Hong Kong	2 shares of HK\$1 each	100%	—	100%	Sale of life-like plants
FT China Limited	Hong Kong	2 shares of HK\$1 each	100%	—	100%	Investment holding
Star Wave Investments Limited	Hong Kong	1 share of HK\$1 each	100%	100%	—	Securities investment

Notes:

(i) The subsidiary was acquired during the year ended 31 December 2011. Details of the acquisition of a subsidiary are set out in Note 41.

(ii) None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

Notes to the Financial Statements

For the year ended 31 December 2011

18. Amounts due from Subsidiaries

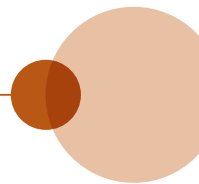
	The Company	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Amounts due from subsidiaries	191,528	234,193
Less: Impairment loss recognised	(19,271)	(5,392)
	172,257	228,801

- (a) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The operating performance of the subsidiaries was unsatisfactory due to intense competition. In the opinion of the directors of the Company, it is uncertain that sufficient cash flows would be generated by the subsidiaries in the foreseeable future as the subsidiaries suffered financial difficulties and sustained losses. In view of the uncertainty of the recovery of the outstanding balance in those subsidiaries which sustained losses and had poor operating performance and that the subsidiaries were not financially capable of repaying to the Company, the directors of the Company concluded that it is appropriate to make an impairment loss on the amounts due from subsidiaries. As at 31 December 2011, there was accumulated impairment losses of approximately HK\$19,271,000 (2010: HK\$5,392,000) recognised on the amounts due from subsidiaries. Further details are set out in Note 18 (b). The directors of the Company consider that the accumulated impairment losses are sufficient.

- (b) Movements of impairment losses recognised in respect of amounts due from subsidiaries are analysed as follows:

	The Company	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At 1 January	5,392	70,294
Impairment loss	13,879	—
Amounts written off as uncollectible	—	(64,902)
At 31 December	19,271	5,392



Notes to the Financial Statements

For the year ended 31 December 2011

19. Investment Properties

	The Group	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
FAIR VALUE		
At 1 January	57,160	50,315
Additions	370	950
Increase in fair value recognised in profit or loss	19,720	5,895
At 31 December	77,250	57,160

The investment properties of the Group are situated in Hong Kong and held under long-term leases.

The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that day by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. Grant Sherman Appraisal Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Group leases out certain investment properties under operating leases, for an initial period of 1 to 3 years, with an option to renew on renegotiated terms.

All of the Group's property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

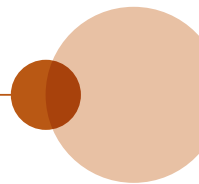
Notes to the Financial Statements

For the year ended 31 December 2011

20. Property, Plant and Equipment

The Group

	Land and Buildings	Leasehold Improvement	Plant and Machinery	Furniture, Fixtures and Equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
COST						
At 1 January 2010	28,215	6,207	5,557	230	—	40,209
Additions	—	1,176	230	217	—	1,623
At 31 December 2010 and 1 January 2011	28,215	7,383	5,787	447	—	41,832
Additions	—	419	53	139	2,469	3,080
Disposals	—	—	(828)	(11)	(373)	(1,212)
Written off	—	(1,282)	—	—	—	(1,282)
Acquired on acquisition of a subsidiary	11,113	1,967	7,631	219	295	21,225
Effect of foreign currency exchange differences	—	—	—	2	—	2
At 31 December 2011	39,328	8,487	12,643	796	2,391	63,645
ACCUMULATED DEPRECIATION						
At 1 January 2010	842	1,263	736	102	—	2,943
Provided for the year	842	1,450	743	98	—	3,133
At 31 December 2010 and 1 January 2011	1,684	2,713	1,479	200	—	6,076
Provided for the year	1,132	1,714	1,083	158	157	4,244
Eliminated on disposals	—	—	(313)	(3)	(123)	(439)
Written off	—	(1,004)	—	—	—	(1,004)
At 31 December 2011	2,816	3,423	2,249	355	34	8,877
CARRYING AMOUNTS						
At 31 December 2011	36,512	5,064	10,394	441	2,357	54,768
At 31 December 2010	26,531	4,670	4,308	247	—	35,756
At 1 January 2010	27,373	4,944	4,821	128	—	37,266



Notes to the Financial Statements

For the year ended 31 December 2011

20. Property, Plant and Equipment (continued)

The Group (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease, or 25–50 years
Leasehold improvement	Over the shorter of the term of the lease, or 5 years
Plant and machinery	6.67%–10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Certain land and buildings of the Group held under long-term lease situated in Hong Kong were acquired on 31 May 2011 due to the business acquisition (see Note 41 for details). The fair values of the land and buildings upon the acquisition were estimated with reference to the valuation made by Grant Sherman Appraisal Limited, an independent qualified professional valuer, on an open market value basis.

The net book value of furniture, fixture and equipment and motor vehicles of approximately HK\$441,000 and HK\$2,357,000 includes an amount of approximately HK\$44,000 (31 December 2010: Nil) and HK\$964,000 (31 December 2010: Nil) in respect of assets held under finance lease respectively.

The Group has pledged land and buildings with a net book value of approximately HK\$3,360,000 (2010: Nil) to secure general banking facilities (Note 31) granted to the Group.

21. Prepaid Lease Payments

	At 31 December 2011 HK\$'000	The Group	
		At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
Analysed for reporting purposes as:			
Current asset	473	473	473
Non-current asset	13,948	14,421	14,894
	14,421	14,894	15,367

The prepaid lease payments represent the leasehold land situated in the PRC and held under medium-term leases.

The amortisation charge of approximately HK\$473,000 (2010: HK\$473,000) for the year are included in administrative expenses in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2011

22. Available-for-sale Financial Assets

	The Group		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
List investments:			
— Equity securities listed in Hong Kong, at fair value	6,586	28,132	—

The available-for-sale financial assets are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Loss on fair value changes of available-for-sale financial assets of approximately HK\$21,546,000 (2010: gain on approximately HK\$10,188,000) has been recognised in other comprehensive income and accumulated in available-for-sale investment revaluation reserve.

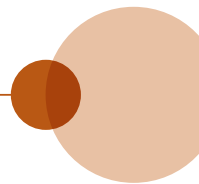
During the year, the Group has determined the value of its investment in certain listed securities to be impaired in view of the fair value of the available-for-sale financial assets significantly below its original cost. As a result, impairment loss of approximately HK\$11,358,000 (2010: Nil) has been recognised in profit or loss during the year.

23. Goodwill

	The Group HK\$'000
Cost	
Arising from acquisition of a subsidiary (Note 41)	8,582
At 31 December 2011	8,582

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to business segment of manufacturing and sale of life-like plant operation.

The Group performed its annual impairment test for goodwill allocated to the manufacturing and sale of life-like plant operation CGU by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU is determined based on value-in-use calculations. The value-in-use calculations covered a period of 10 years based on the operation's estimated life. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by senior management have been extrapolated with an estimated general annual growth of not more than 5% for a five-year period. The discount rate used of 15.32% reflects specific risks related to the relevant segment. The management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. Accordingly, no impairment loss is recognised for the year.



Notes to the Financial Statements

For the year ended 31 December 2011

24. Inventories

	The Group		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
Raw materials	9,741	12,573	11,126
Work in progress	734	1,127	1,383
Finished goods	522	625	492
	10,997	14,325	13,001

25. Trade Receivables

	The Group		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
Trade receivables	10,515	1,362	3,623

The Group allows a credit period normally ranging from 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period. The Group does not hold any collateral over these balances.

	The Group		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
1 to 30 days	827	46	182
31 to 90 days	9,091	565	1,342
91 to 180 days	597	740	2,041
181 to 360 days	—	—	—
1 to 2 years	—	11	29
Over 2 years	—	—	29
	10,515	1,362	3,623

Notes to the Financial Statements

For the year ended 31 December 2011

25. Trade Receivables (continued)

The ageing analysis of trade receivables by due date that is past due but not impaired is as follow:

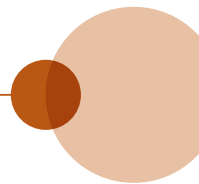
	At 31 December 2011 HK\$'000	The Group	
		At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
1 to 30 days	10	741	117
31 to 90 days	596	—	10
91 to 180 days	2	—	2,041
181 to 360 days	—	—	—
1 to 2 years	—	11	29
Over 2 years	—	—	29
	608	752	2,226

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

Receivables of approximately HK\$9,907,000 (2010: HK\$610,000) that were neither past due nor impaired relate to customers for whom there was no recent history of default.

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	At 31 December 2011 '000	The Group	
		At 31 December 2010 '000	At 1 January 2010 '000
US\$	1,343	172	452



Notes to the Financial Statements

For the year ended 31 December 2011

26. Other Receivables, Prepayments and Deposits

	The Group			The Company	
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Other receivables	3,645	515	11	—	—
Prepayments and deposits	2,545	2,037	3,071	193	1,521
	6,190	2,552	3,082	193	1,521

Recoverability of other receivables, prepayments and deposits is assessed on individual basis. At the end of 2011 and 2010, management assesses each of the outstanding balance of other receivables, prepayments and deposits to determine whether impairment loss has been adequately provided for, taking into account their credit position, repayment history and age of the amount owing to the Group.

No impairment losses of trade and other receivables were made as at year ended 31 December 2011 and 2010.

27. Held-for-Trading Investments

	The Group		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
Listed investments:			
— Equity securities listed in Hong Kong	1,320	4,822	4,063

Held-for-trading investments are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Loss on fair value changes of held-for-trading investments of approximately HK\$1,252,000 (2010: HK\$1,120,000) has been recognised in profit or loss during the year.

During the year, the Group disposed of certain listed securities with carrying amount of approximately HK\$1,377,000 (2010: HK\$553,400), which had been carried at fair value before the disposal. A loss on disposal of approximately HK\$873,000 (2010: HK\$67,000) has been recognised in profit or loss for the current year.

Notes to the Financial Statements

For the year ended 31 December 2011

28. Pledged Bank Deposits

As at 31 December 2011, bank deposits of nil (2010: HK\$5,632,000) and approximately HK\$1,158,000 (2010: HK\$1,386,000) were pledged to banks to secure banking facilities granted to the Group and for the requirement of the PRC customs authorities respectively and were therefore classified as current assets.

The pledged bank deposits to secure banking facilities granted to the Group carried fixed interest rate at 0.29% per annum in 2010 and those for the requirement of the PRC customs authorities carry fixed interest rates at 0.36% (2010: 0.36%) per annum.

Included in pledged bank deposits are the following amounts denominated in currency other than the functional currency of the relevant Group entities which are subject to foreign exchange control regulations or not freely transferable:

	The Group		
	At 31 December 2011 '000	At 31 December 2010 '000	At 1 January 2010 '000
RMB	938	1,182	1,200

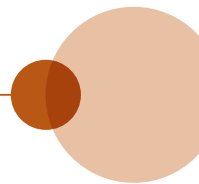
29. Time Deposits with Maturities Over Three Months/Bank Balances and Cash

The time deposits with maturities over three months carried fixed interest rates at 0.97% to 1.75% per annum in 2010 (2011: Nil).

Bank balances carry interest at prevailing market rates for both years.

Included in time deposits with maturities over three months and bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant Group entities, and RMB bank balances are subject to foreign exchange control regulations or not freely transferable:

	The Group		
	At 31 December 2011 '000	At 31 December 2010 '000	At 1 January 2010 '000
US\$	356	1,115	1,487
RMB	34,708	101,008	224



Notes to the Financial Statements

For the year ended 31 December 2011

30. Trade and Other Payables

	The Group			The Company	
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade payables	3,616	4,147	3,315	—	—
Other payables and accrued charges	15,367	12,138	7,435	6,586	6,430
	18,983	16,285	10,750	6,586	6,430

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

	The Group		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
1 to 30 days	44	7	120
31 to 90 days	20	829	2,363
91 to 180 days	2,341	3,271	822
181 to 360 days	1,211	40	—
Over 1 year	—	—	10
	3,616	4,147	3,315

The average credit period on purchases of goods is 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

	The Group		
	At 31 December 2011 '000	At 31 December 2010 '000	At 1 January 2010 '000
US\$	140	83	—
RMB	2,044	2,949	2,790

Notes to the Financial Statements

For the year ended 31 December 2011

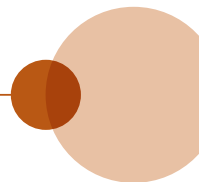
31. Bank Borrowings

At 31 December 2011, details of the bank borrowings carried at amortised cost and repayable within 5 years were as follows:

	At 31 December 2011 '000	The Group	
		At 31 December 2010 '000	At 1 January 2010 '000
Secured (Note (i))	4,597	—	—
Unsecured (Note (ii))	924	—	—
	5,521	—	—
Carrying amount repayable (Note (iii)):			
Within one year	1,080	—	—
More than one year, but not exceeding two years	168	—	—
	1,248	—	—
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	4,273	—	—
	5,521	—	—
Less: Amounts shown under current liabilities	(5,353)	—	—
Amounts shown under non-current liabilities	168	—	—

Notes:

- (i) Secured by a mortgage over the Group's land and building (Note 20) and bear variable interest at 2% per annum below prime rate or 2.5% per annum over 1 month HIBOR, whichever is lower. The weighted average effective interest rate on the bank borrowing is 2.84% per annum.
- (ii) Unsecured bank borrowings bear fixed interest ranging from 6.75% to 8.95% per annum. The weighted average effective interest rate on the bank borrowing is 7.90% per annum.
- (iii) The amounts due are based on the scheduled repayment dates set out in the loan agreements.



Notes to the Financial Statements

For the year ended 31 December 2011

32. Obligations under Finance Leases

The Group leased certain of its motor vehicles and office equipment under finance lease. The average lease term is 4 years. Interest rates underlying all obligations under finance lease are fixed at respective contract dated ranging from 6.29% to 7.26% per annum. The weighted average effective interest rate on the obligations under finance leases is 6.59% per annum. The Group has options to purchase the office equipment for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	The Group					
	Minimum lease payment			Present value of minimum lease payments		
	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000	At 31 December 2011 HK\$'000	At 31 December 2010 HK\$'000	At 1 January 2010 HK\$'000
Amounts payable under finance lease:						
Within one year	269	—	—	214	—	—
In more than one year but not more than two years	269	—	—	230	—	—
In more than two years but not more than five years	516	—	—	486	—	—
	1,054	—	—	930	—	—
Less: future finance charges	(124)	—	—	n/a	n/a	n/a
Present value of lease obligations	930	—	—	930	—	—
Less: Amount due for settlement within 12 months (shown under current liabilities)				(214)	—	—
Amount due for settlement after 12 months				716	—	—

The Group's obligations under finance leases of motor vehicles are secured by the lessors' title to the leased assets.

Financial lease obligations are denominated in Hong Kong dollars, functional currency of the relevant Group entity.

Notes to the Financial Statements

For the year ended 31 December 2011

33. Convertible Bonds

The Group and the Company

	2011 HK\$'000	2010 HK\$'000
Convertible bonds measured at fair value:		
At 1 January	7,294	11,600
Loss (gain) on changes in fair value	32,706	(4,306)
Repayment	(40,000)	—
At 31 December	—	7,294

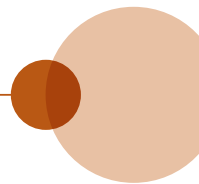
On 16 December 2008, the Company issued unsecured convertible bonds with principal value of HK\$40,000,000 ("CB") upon the completion of the acquisition of FT China Limited and FT Far East Limited. CB bear interests at 4% per annum payable annually in arrear with the first payment to be made on the date falling 12 months from the date of issue and with the maturity date on 16 December 2011.

The principal terms of CB are as follows:

- The holders of the CB are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK\$0.10 each (subject to adjustment) at any time within three years from the date of issue of CB. The conversion price of the CB has been adjusted to HK\$1.70 with effect from 27 October 2010 after the completion of the open offer of the Company (Note 36).
- The holder of the CB have the right at any time during the period after end of the twenty months from the date of issue until the maturity date to redeem the whole or part of the principal amount.
- The Company has the right at any time during the conversion period to mandatorily convert the whole or part of the CB into the Company's shares.

As CB contain various embedded derivatives, the directors of the Company determined that the convertible bonds do not contain any equity component and the entire bonds were designated as "financial liabilities at FVTPL" which requires the bonds to be carried at fair value at the end of the reporting period and the changes in fair values are recognised in the consolidated income statement. During the year ended 31 December 2011, a loss on changes in fair value of approximately HK\$32,706,000 (2010: gain of HK\$4,306,000) has been recognised in the consolidated income statement.

On the maturity date at 16 December 2011, the CB had been fully redeemed by the Company.



Notes to the Financial Statements

For the year ended 31 December 2011

33. Convertible Bonds (continued)

The Group and the Company (continued)

For the year ended 31 December 2010, the fair value of the CB was calculated using the Binomial Model and the inputs into the model were as follows:

	2010
Stock price	HK\$0.31
Exercise price	HK\$1.70
Risk-free rate	0.348%
Volatility	41.25%

34. Promissory Notes

On 16 December 2008, the Company issued unsecured promissory notes with principal value of HK\$13,445,260 ("PN 1") and HK\$33,800,000 ("PN 2") upon the completion of the acquisitions of FT China Limited ("FT China"), FT Far East Limited ("FTFE"), Coast Holdings Limited ("CHL") and Kingston Property Investment Limited ("KPIL"). Details of which were set out in the Company's circular dated 31 December 2007.

(a) PN 1

PN 1 bore interests at 4% per annum payable monthly commencing from one month after the date of the issue. PN 1 was repayable in one lump sum on or before six months from the date of the issue or one month after the resumption of trading the shares of the Company on the Stock Exchange, whichever was earlier. The Group had fully settled PN 1 during the year ended 31 December 2009.

(b) PN 2

PN 2 bore interests at 3% per annum payable monthly commencing from one month after the date of the issue. PN 2 was repayable on or before sixty months from the date of the issue of PN 2, that is, 16 December 2013, or such other date as mutually agreed in writing by the Company and the note holders. The Company had the option to redeem PN 2 in whole or in part at any time after three months from the date of the issue of PN 2 up to the date immediately prior to maturity. The carrying value of PN 2 as at 31 December 2009 amounted to approximately HK\$23,130,000. PN2 was early redeemed during the year ended 31 December 2010 with a loss on early redemption amounted to approximately HK\$9,577,000.

PN 1 and PN 2 were subsequently measured at amortised cost, using the effective interest rates at 13.30%. The directors of the Company determined that no value had been assigned for the redemption options of the Company as it was considered to be insignificant in value.

Notes to the Financial Statements

For the year ended 31 December 2011

35. Deferred Tax Liabilities

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

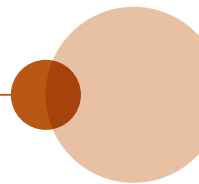
	Revaluation of prepaid lease payment <i>HK\$'000</i>	Revaluation of investment property <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010, as originally stated	6,553	5,240	1,102	12,895
Effect of changes in accounting policy (<i>Note 2</i>)	—	(4,903)	—	(4,903)
At 1 January 2010, as restated	6,553	337	1,102	7,992
(Credit) charge to profit or loss	(363)	39	(1,102)	(1,426)
At 31 December 2010 and 1 January 2011, as restated (<i>Note 2</i>)	6,190	376	—	6,566
Acquisition of a subsidiary (<i>Note 41</i>)	—	—	2,805	2,805
(Credit) charge to profit or loss	(204)	37	(120)	(287)
At 31 December 2011	5,986	413	2,685	9,084

At the end of the reporting period, the Group had unused tax losses of approximately HK\$124,582,000 (2010: HK\$109,264,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$36,322,000 (2010: HK\$16,928,000) that can be carried forward for 5 years from the year in which the respective loss arose. Other losses may be carried forward indefinitely.

36. Share Capital

The Group and the Company

	2011		2010	
	Number of shares '000	Amount <i>HK\$'000</i>	Number of shares '000	Amount <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.20 each	2,000,000	400,000	2,000,000	400,000
Ordinary shares, issued and fully paid:				
At 1 January	718,962	143,793	418,908	83,782
Issue of shares upon placing (<i>Note (i)</i>)	—	—	60,400	12,080
Issue of shares upon open offer (<i>Note (ii)</i>)	—	—	239,654	47,931
At 31 December	718,962	143,793	718,962	143,793



Notes to the Financial Statements

For the year ended 31 December 2011

36. Share Capital (continued)

The Group and the Company (continued)

Notes:

- (i) As set out in the Company's announcement dated 2 February 2010, 60,400,000 shares of HK\$0.20 each were issued and allotted to the independent third parties at the price of HK\$0.40 per placing share by placing.
- (ii) As set out in the Company's announcement dated 27 October 2010, 239,654,173 shares of HK\$0.20 each were issued and allotted at the subscription price of HK\$0.25 per offer share on the basis of one offer share for every two existing shares held by the qualifying shareholders by open offer.

All the above shares rank pari passu in all aspects with other shares in issue.

37. Reserves

The Company

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Warrants reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	105,752	20	—	—	(43,540)	62,232
Loss and total comprehensive expense for the year	—	—	—	—	(15,404)	(15,404)
Issue of shares:						
— upon placing	12,080	—	—	—	—	12,080
— upon open offer	11,983	—	—	—	—	11,983
Transaction costs attributable to issue of shares	(2,857)	—	—	—	—	(2,857)
Recognition of equity-settled share-based payments	—	—	3,000	—	—	3,000
Placing of non-listed warrants	—	—	—	1,917	—	1,917
Transaction costs attributable to issue of warrants	—	—	—	(146)	—	(146)
At 31 December 2010 and 1 January 2011	126,958	20	3,000	1,771	(58,944)	72,805
Loss and total comprehensive expense for the year	—	—	—	—	(50,499)	(50,499)
At 31 December 2011	126,958	20	3,000	1,771	(109,443)	22,306

Notes to the Financial Statements

For the year ended 31 December 2011

37. Reserves (continued)

Nature and purpose of reserves

(i) *Share premium and capital redemption reserve*

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital redemption reserve represents the amount by which the Company's issued share capital is diminished on cancellation of the shares redeemed or purchased.

(ii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy "Foreign Currencies" as stated in Note 3.

(iii) *Share options reserve*

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy "Share-based Payment Transactions" as stated in Note 3.

(iv) *Warrants reserve*

Warrants reserve represents the fair value of warrants on the date of issue by the Company recognised in accordance with the accounting policy "Financial Instruments" as stated in Note 3.

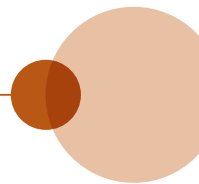
38. Share-Based Payment Transactions

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 22 July 2009 for the primary purpose of providing incentives to eligible persons, and will expire on 21 February 2013. Eligible participants of the Share Option Scheme include an employee or a Director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

Details and the major terms of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group.



Notes to the Financial Statements

For the year ended 31 December 2011

38. Share-Based Payment Transactions *(continued)*

(ii) Participants

The directors of the Company may offer to grant an option to any employee or director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contributed to the Group.

(iii) Terms of options

The share options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the directors of the Company at their absolute discretion and specified in the offer of a share option, which terms and conditions may include (a) vesting conditions which must be satisfied before a share option holder's share option shall become vested and capable of being exercised; and (b) the directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised and/or the minimum period for which a share option must be held before it can be exercised.

(iv) Option price

The option price will be determined by the directors of the Company at their absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of (a) the closing price of the shares of the Company as stated in The Stock Exchange's daily quotations sheet on the date of offer of an option; (b) the average closing price of the shares of the Company as stated in The Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of the shares of the Company.

(v) Maximum number of shares

(1) 10% Limit

- (a) The total number of shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue as at the date of adoption of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit in this paragraph.

Notes to the Financial Statements

For the year ended 31 December 2011

38. Share-Based Payment Transactions *(continued)*

(v) Maximum number of shares *(continued)*

(1) 10% Limit *(continued)*

- (b) With the approval of the shareholders of the Company in general meeting, the directors of the Company may “refresh” the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as “refreshed” shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the “refreshed” limit.

Options previously granted (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”.

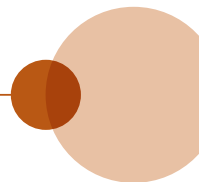
- (c) Subject to the limits as stated in elsewhere, the directors of the Company may, with the approval of the shareholders, grant options in excess of the 10% limit to participants specifically identified before shareholders’ approval is sought. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting such options to the specified participants with an explanation of how the terms of the options will serve the purpose.

(2) 30% Limit

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(vi) Maximum entitlement of each participant

Subject always to the limits as stated in elsewhere, the directors of the Company shall not grant any options to any participant which, if exercised, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the shares of the Company in issue at such date. The directors of the Company may grant options to any participant in excess of the individual limit of 1% in any 12-month period with the approval of the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.



Notes to the Financial Statements

For the year ended 31 December 2011

38. Share-Based Payment Transactions *(continued)*

(vii) Time of exercise of options

An option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the directors of the Company as not exceeding 10 years from the date on which a participant is offered such option. The exercise of options may also be subject to any conditions imposed by the directors of the Company at the time of offer.

(viii) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further options will be granted. The directors of the Company may terminate the Share Option Scheme at any time and in such event no further options shall be granted under the Share Option Scheme but any options which have been granted but not yet exercised shall continue to be valid and exercisable.

On 27 October 2010, the Company conducted an open offer of its shares. As a result of completion of open offer, the exercise price and number of share options have been adjusted from HK\$0.478 per share and 30,210,000 to HK\$0.422 per share and 34,208,382 respectively.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 34,208,382 (31 December 2010: 34,208,382), representing 4.76% (31 December 2010: 4.76%) of the shares of the Company in issue at that date. No consideration is payable on the grant of an option.

Details of option are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
22 February 2010	—	22 February 2010 to 21 February 2013	HK\$0.422 per share	HK\$0.10 per share

Notes to the Financial Statements

For the year ended 31 December 2011

38. Share-Based Payment Transactions *(continued)*

The following table discloses movements of the Company's share options held by an employee and consultants during the year:

Category	Date of grant	Outstanding at 1 January 2011 and 31 December 2011
Employee	22 February 2010	5,095,588
Consultants	22 February 2010	29,112,794
		34,208,382
Exercisable at the end of the year		34,208,382

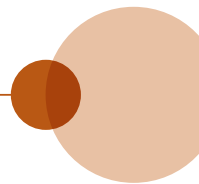
The estimated fair value of the options granted on the above-mentioned date was HK\$3,000,000. The Group recognised the total expense of HK\$3,000,000 for the year ended 31 December 2010 in relation to share options granted by the Company.

The Black-Scholes option pricing model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

This fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2010
Exercise price	HK\$0.422
Expected volatility	50.55%
Expected life	1.5 years
Risk-free rate	0.445%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.



Notes to the Financial Statements

For the year ended 31 December 2011

39. Warrants

As set out in the Company's announcement dated 13 December 2010, the Company has issued 95,860,000 warrants to the subscribers of the offer shares conferring the rights to the holders thereof to subscribe in cash for 95,860,000 ordinary shares of the Company of HK\$0.20 per share at an initial exercise price of HK\$0.28 per share at any time during the period from 13 December 2010 to 12 December 2012.

The warrants with subscription price of HK\$0.02 per share are recognised in the warrants reserve on initial recognition with a fair value of approximately HK\$1,917,000.

At 31 December 2010 and 2011, the Company had outstanding 95,860,000 warrants, the exercise in full of which would result in the issue of 95,860,000 ordinary shares of HK\$0.20 each.

40. Litigation

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu as 1st defendant, the Company's former director, and the Company as 2nd defendant for recovering a sum of HK\$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of these consolidated financial statements, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors of the Company, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced to the Company an aggregate of approximately HK\$15,241,000. In 2002, the Company repaid Xswim Group HK\$5,600,000 leaving a balance of approximately HK\$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK\$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK\$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors of the Company, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003. As at 31 December 2011 and 2010, with the advices by the Company's legal adviser, the directors of the Company were of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss had been accounted for in these consolidated financial statements.

Notes to the Financial Statements

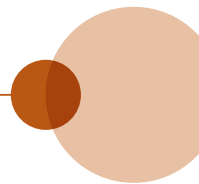
For the year ended 31 December 2011

41. Acquisition of A Subsidiary

On 31 May 2011, the Group acquired 100% equity interest of Lisun Plastic Factory Limited and its subsidiary (together as "Lisun Group") at a total consideration of HK\$20,000,000. Lisun Group is engaged in manufacturing and sale of artificial flowers and was acquired to provide an opportunity for the Group to diversify its products and expand its customer base. The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK\$8,582,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Net book value at 31 May 2011	Fair value adjustments	Fair value at 31 May 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired			
Property, plant and equipment	7,407	13,818	21,225
Inventories	3,017		3,017
Trade and other receivables	3,490		3,490
Amount due from a related company	756		756
Pledged bank deposits	103		103
Bank balances and cash	472		472
Bank overdraft	(2,796)		(2,796)
Trade and other payables	(2,873)		(2,873)
Amount due to a related company	(3,807)		(3,807)
Obligations under finance leases	(293)		(293)
Bank and mortgage loan	(5,927)		(5,927)
Deferred tax liabilities	—	(2,805)	(2,805)
Net identifiable assets and liabilities	(451)	11,013	10,562
Arising on acquisition:			
Goodwill (<i>Note 23</i>)			8,582
Contingent consideration			856
Total consideration for acquisition			20,000
Analysis of net outflow of cash and cash equivalents in respect of the acquisition of Lisun Group:			
Cash consideration paid			20,000
Less: Bank balances and cash acquired			(472)
Add: Bank overdraft acquired			2,796
Net cash outflow in respect of the acquisition of the subsidiary			22,324



Notes to the Financial Statements

For the year ended 31 December 2011

41. Acquisition of A Subsidiary *(continued)*

Pursuant to the terms of the sale and purchase agreement, Reach Billion Limited (the "Vendor") and Ms. Chu (the "Guarantor") undertake to Smart Future Investments Limited, a subsidiary of the Company (the "Purchaser") that the audited net profit before interest, tax, depreciation and amortisation of Lisun Group for the year ended 31 December 2011 (the "2011 Net Profit") shall not be less than HK\$2 million (the "Profit Guarantee"). In the event that the 2011 Net Profit is less than the amount of Profit Guarantee, the Vendor and the Guarantor are required to pay the shortfall of the Profit Guarantee multiply by six to the Purchaser. The maximum liability of the vendor in respect of the Profit Guarantee shortfall shall not exceed HK\$12 million.

The fair value of such contingent arrangement amounted to approximately HK\$856,000 at the date of acquisition is presented separately on the Company's consolidated statement of financial position. The fair values was determined with reference to the valuation by an independent qualified professional valuer, Kovas Magni Appraisal Limited. Changes in variables and assumptions may result in changes in the fair value.

As the contingent arrangement contains various embedded derivatives, the directors of the Company determined that the contingent arrangement be designated as "financial assets at FVTPL" which shall be carried at fair value at end of the reporting period. During the year ended 31 December 2011, the carrying amount of the contingent consideration of approximately HK\$856,000 was charged to the consolidated income statement of the Company as a result of the fact that the Profit Guarantee was met.

Since its acquisition by the Group, the Lisun Group contributed approximately HK\$8,747,000 and a profit of approximately HK\$600,000 to the Group's turnover and loss for the year ended 31 December 2011 respectively.

Had the acquisition of the Lisun Group been completed on 1 January 2011, total Group's turnover for the year would have been approximately HK\$75,197,000, and the Group's loss for the year would have been approximately HK\$44,064,000.

Goodwill arose on acquisition of the Lisun Group represents the control premium.

No goodwill arising on this acquisition is expected to be deductible for tax purposes.

42. Deregistration of Subsidiary

During the year ended 31 December 2011, the Group deregistered the entire equity interests of a subsidiary, Elite Corner Limited. The subsidiary was inactive during the year.

Notes to the Financial Statements

For the year ended 31 December 2011

43. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK\$1,000 per month for each employee.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2011, the total retirement benefit cost charged to the consolidated income statement amounted to approximately HK\$313,000 (2010: HK\$360,000).

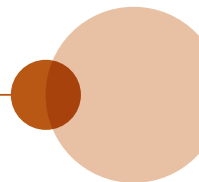
44. Related Party Transactions

- (a) The Group received rental income amounting to approximately HK\$105,000 during the year ended 31 December 2011 (2010: HK\$480,000) from CJ Capital Investments Limited, of which Mr. Tse On Kin is a common director. Mr. Tse On Kin resigned as director of the Company on 30 December 2011.
- (b) The Group received rental income amounting to approximately HK\$153,000 during the year ended 31 December 2011 (2010: HK\$20,000) from Zmay Holdings Limited, of which Mr. Man Kwok Leung and Dr. Wong Yun Kuen are common directors.
- (c) The Group paid consultancy fee amounting to approximately HK\$60,000 during the year ended 31 December 2011 (2010: HK\$240,000) to CJ Capital Investments Limited, of which Mr. Tse On Kin is a common director. Mr. Tse On Kin resigned as director of the Company on 30 December 2011.
- (d) The balances with the subsidiaries and the respective terms are disclosed in Note 18.
- (e) Compensation of directors of the Company and key management personnel.

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

	The Group	
	2011	2010
	HK\$'000	HK\$'000
Short-term benefits	718	670

The remuneration of directors of the Company and key management is determined by the remuneration committee having regards to the performance of individuals and market trends.



Notes to the Financial Statements

For the year ended 31 December 2011

45. Commitments

(a) Capital commitment

Capital commitment outstanding at 31 December 2011 and 2010 not provided for in the consolidated financial statements were as follows:

	2011 HK\$'000	2010 HK\$'000
Authorised and contracted for — acquisition of plant and equipment	99	—

(b) Lease commitment

The Group as lessee

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:

	2011 HK\$'000	2010 HK\$'000
Within one year	174	45

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 1 year (2010: 1 year) with fixed monthly rentals. The operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group as lessor

Property rental income earned during the year was approximately HK\$2,258,000 (2010: HK\$1,702,000). The properties are expected to generate rental yields of 2.92% (2010: 3.03%) on an ongoing basis. The properties held have committed tenants for the next 1 to 3 years.

Motor vehicle rental income earned during the year was approximately HK\$23,000 (2010: Nil). The motor vehicle is expected to generate rental yields of 3.56% (2010: Nil) on an ongoing basis. The motor vehicle held has committed tenants for the next 3 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 HK\$'000	2010 HK\$'000
Within one year	2,120	1,600
In the second to fifth years inclusive	2,189	2,132
	4,309	3,732

Notes to the Financial Statements

For the year ended 31 December 2011

46. Contingent Liabilities

Financial guarantee issued

As at the end of the reporting period, the Company has issued a guarantee to bank in respect of banking facilities of approximately HK\$9,200,000 granted to a wholly owned subsidiary, Lisun Plastic Factory Limited ("Lisun").

The subsidiary is an entity covered by a guarantee arrangement issued by the Company to a bank in respect of banking facilities granted to the subsidiary which remains in force so long as the subsidiary has drawn down under the banking facilities. Under the guarantee, the Company is a party to the guarantee for all borrowings of subsidiary from the bank which is the beneficiary of the guarantee.

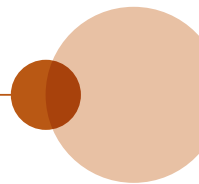
As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantee issued is the outstanding amount of the facility drawn down by Lisun of approximately HK\$4,597,000. Fair value of financial guarantee at inception date amounted to approximately HK\$470,000 was arrived at on the basis of a valuation carried out by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. Grant Sherman Appraisal Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant financial guarantee. The valuation was arrived at by reference to market evidence of transaction prices for similar financial guarantee. During the year ended 31 December 2011, an amortisation on financial guarantee of approximately HK\$235,000 has been recognised in the Company's income statement.

47. Events After the Reporting Period

(i) Swap of Properties

On 24 February 2012, Lisun entered into the property swap agreement with the jointly vendors (the "Vendors"), Mr. Choi Ka Chun and Ms. Leung Yuen Yee, pursuant to which Lisun will transfer the ownership of property located at Unit 2C, Cheong Wah Factory Building, 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong ("Property I") to the Vendors and the Vendors will transfer the ownership of Unit 9C, Cheong Wah Factory Building, 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong ("Property II") to Lisun. Upon completion which is expected to be on or before 31 May 2012, Lisun will become the owner of Property II and the Vendors will become the owner of Property I. Lisun will pay Vendors a consideration of HK\$1,820,000.

The transfer constitutes a discloseable transaction of the Company under the Listing Rules and the details of which are set out in the Company's announcement dated 24 February 2012.



Notes to the Financial Statements

For the year ended 31 December 2011

47. Events After the Reporting Period *(continued)*

(ii) Investment in Smart Castle Limited

On 23 February 2012, Lisun entered into a deed of assignment with Market Talent Limited, the assignor (the "Assignor") and shareholder of Smart Castle Limited, an independent third party to the Group. On the same day, Lisun acquired one ordinary share of HK\$1 in the issued share capital of Smart Castle Limited, a company incorporated in Hong Kong with limited liability, at a consideration of HK\$1.

Consequently, Lisun would own as to 50% equity interest of Smart Castle Limited and the Assignor assigns all its rights, titles, benefits and interest in the debt from Smart Castle Limited amounting to HK\$1,790,000 to Lisun. Lisun does not have any intention to appoint any director to the board of Smart Castle Limited. The transfer of the ordinary share was completed on 23 February 2012.

The acquisition and debt assignment do not constitute notifiable transactions of the Company under the Listing Rules.

48. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of approximately HK\$954,000 (2010: Nil).

49. COMPARATIVE FIGURES

With a review of consolidated financial statements presentation, the consolidated financial statements presentation has been revised which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified.

Five-Year Financial Summary

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

Results

	Year ended 31 December				
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)	2009 <i>HK\$'000</i> (Restated)	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	72,844	84,262	90,705	—	—
Sale of life-like plants	69,171	82,006	88,268	—	—
Properties rental income	2,258	1,702	1,685	—	—
Dividend income from equity investments	38	—	—	—	—
	71,467	83,708	89,953	—	—
LOSS BEFORE TAX	(43,592)	(25,330)	(10,740)	(43,228)	(17,964)
Income tax credit	176	1,426	3,209	—	48
LOSS FOR THE YEAR	(43,416)	(23,904)	(7,531)	(43,228)	(17,916)
ATTRIBUTABLE TO:					
Owners of the Company	(43,416)	(23,904)	(7,531)	(43,227)	(17,915)
Non-controlling interests	—	—	—	(1)	(1)
	(43,416)	(23,904)	(7,531)	(43,228)	(17,916)

Assets and Liabilities and Non-controlling Interests

	At 31 December				
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)	2009 <i>HK\$'000</i> (Restated)	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
TOTAL ASSETS	252,200	301,384	252,439	214,485	132,824
TOTAL LIABILITIES	(34,518)	(30,145)	(53,472)	(184,327)	(77,485)
NON-CONTROLLING INTERESTS	—	—	—	(11)	(12)
	217,682	271,239	198,967	30,147	55,327