GREENFIELD

GREENFIELD CHEMICAL HOLDINGS LIMITED
嘉 輝 化 工 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 582

2011
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Jun
Ms. Zhang Ying
Mr. Li Li
Mr. Zhang Yang
Mr. Jiang Zhiqian

Independent Non-executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Ng Hoi Yue
Mr. Chiang Chi Kin, Stephen

Remuneration Committee

Mr. Fok Ho Yin, Thomas (Chairman)
Mr. Ng Hoi Yue
Mr. Chiang Chi Kin, Stephen

Nomination Committee

Mr. Fok Ho Yin, Thomas (Chairman)
Mr. Ng Hoi Yue
Mr. Chiang Chi Kin, Stephen

Audit Committee

Mr. Fok Ho Yin, Thomas (Chairman)
Mr. Ng Hoi Yue
Mr. Chiang Chi Kin, Stephen

COMPANY SECRETARY

Ms. Leung Pui Ying

AUDITOR

Zenith CPA Limited
Unit 318, 3/F, Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2304, 23/F, West Tower,
Shun Tak Centre,
168–200 Connaught Road Central,
Sheung Wan, Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

REGISTRAR IN HONG KONG

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

STOCK CODE

582

WEBSITE OF THE COMPANY

http://www.gch.hk

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Hu Jun, aged 51, graduated from Southwest Jiaotong University in 1985. He engaged in technical work in an enterprise subordinated to the Ministry of Railways of the People's Republic of China after his graduation. He engaged in the business field in 1990 and worked as the Deputy General Manager of Beijing Huayue Electric Equipment Co., Ltd. (北京華躍電器設備公司), the Administrative Director of Beijing Huadu Cultural Entertainment Limited (北京花都文化娛樂有限公司) and the Deputy General Manager of Beijing Dongfang Wanbang Investment Consulting Co., Ltd. (北京東方萬邦投資顧問有限公司). He now works as the General Manager of Beijing Huicheng Real Estate Developing Co., Ltd. (北京慧誠房地產開發有限公司).

Ms. Zhang Ying, aged 43, with a Bachelor's Degree in Financial Accounting. She worked as the Finance Supervisor of Beijing Tianan Industry and Commerce Company (北京天安實業總公司) during the period from 1989 to 1996. She works as the financial controller of Beijing Dongfang Wanbang Technology Development Limited (北京東方萬邦科技發展有限公司) since 1996 and Beijing Hanbang Guoxin International Group Co., Ltd. (北京漢邦國信國際集團有限公司) since 2002. She has extensive experience in corporate finance, financial management, accounting and auditing field. She works as the Legal Representative of Beijing Huicheng Real Estate Developing Co., Ltd (北京慧誠房地產開發有限公司) since 2004.

Mr. Li Li, aged 33, an undergraduate major in Computer Education and engaged in education discipline in Beijing Practical Arts Vocational School after graduation in 2000. He engaged in the business field in 2002 and worked as the Manager of the Resources Department of Beijing Hongwei Industry & Trading Group (北京市宏偉工貿集團) and Deputy General Manager of Beijing Yonglian United Technology & Trading Company Limited (北京永聯聯合科貿有限責任公司).

Mr. Zhang Yang, aged 29, Bachelor of Financial and Applied Economics at Massey University. He worked as Analyst Assistant of Money World Financial Limited in 2002 and Regional Manager of Domino's Pizza from 2007 to 2008.

Mr. Jiang Zhiqian, aged 38, is the chairman of a retail store company in the People's Republic of China ("PRC") and has over 7 years' experience in the retail industry. He also has over 5 years' experience in investing in natural resources related business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fok Ho Yin, Thomas, aged 40, had worked in the Listing Division of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has over 15 years of experience in the field of corporate finance and, in particular, in equity financing and financial restructuring. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a Chartered Financial Analyst. Mr. Fok is currently an executive director and Chief Financial Officer of Jian ePayment Systems Limited (shares of which are listed on the growth enterprise market of the Stock Exchange, stock code: 8165) and an independent non-executive director of Rising Development Holdings Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 1004).

Mr. Ng Hoi Yue, aged 47, is an associate member of The Institute of Chartered Accountants in England and Wales and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practicing as a certified public accountant in Hong Kong since 1989. Mr. Ng is an independent non-executive director of See Corporation Limited (shares of which are listed on the main board of the Stock Exchange, Stock Code: 491) at present and served as an independent non-executive director of Henry Group Holdings Limited (shares of which are listed on the main board of the Stock Exchange, Stock Code: 859) until 19 February 2010 when his resignation took effect.

Mr. Chiang Chi Kin, Stephen, aged 43, graduated from the University of Wolverhampton with a bachelor's degree in laws, and qualified as a solicitor of the High Court of Hong Kong in 1998. Mr. Chiang has over 13 years of experience in corporate and commercial law. Mr. Chiang has been the Deputy General Manager and Company Secretary of Rising Development Holdings Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 1004) since September 2007. He is also the director of all its subsidiaries. Besides, he had been the Deputy General Manager and Company Secretary of China Power New Energy Development Company Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 735) from October 2004 and 1 September 2005 respectively to 26 March 2010.

LETTER FROM THE BOARD

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

FINANCIAL RESULTS

For the year ended 31 December 2011, the Group's turnover increased by approximately 46.9% to HK$456,232,000 (2010: HK$310,524,000), the profit attributable to owners of the Company increased by approximately 10% to HK$27,448,000 (2010: HK$24,950,000). Earnings per share increased from HK9.1 cents for last year to HK10.1 cents this year.

As at 31 December 2011, the net asset value per share attributable to owners of the Company was HK$1.77 (2010: HK$1.60).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The principal activity of the Company is investment holding and through its subsidiaries and associates, the Group engages in (i) the design, manufacturing and sales of light-emitting diode ("LED") and semi-conductor lighting related products ("Lighting Business") and (ii) manufacturing and trading of liquid coatings, power coatings and solvents ("Coating Business").

For the year ended 31 December 2011, after the acquisition of Lighting Business during the year, the Group achieved a 46.9% increase to HK$456,232,000 (2010: HK$310,524,000) in turnover. The gross profit increased by 57.2% to HK$143,070,000 (2010: HK$91,003,000) and gross profit ratio increased from 29.3% in 2010 to 31.4% in 2011. However, due to the significant reduction of share of profits of associates and the increase in borrowings which led to a rise in finance cost, the profit attributable to shareholders for the year ended 31 December 2011 increased slightly by approximately 10% to HK$27,448,000 (2010: HK$24,950,000).

Segment information

Coating Business

The Group assessed its sales performance based on the geographical segment which is determined on the basis of location of customers, i.e. Hong Kong, the PRC and overseas.

The Hong Kong segment recorded a turnover of HK$118,453,000 (2010: HK$169,913,000) and segment results of HK$33,652,000 (2010: HK$27,489,000). The decreasing turnover and increasing segment results by approximately 30.3% and 22.4% represented a fluctuation in turnover and profit of the Coating Business.

The PRC segment recorded a turnover of HK$184,694,000 (2010: HK$140,611,000) and segment results of HK$14,146,000 (2010: HK$23,589,000), representing an increase in turnover while a drop of segment results by approximately 31.4% and 40%. Although the market is benefiting from the stable growth rate of the PRC economy in the first half of 2011, the increasing production cost in the PRC segment reiterates the Group's adverse attitude towards the Coating Business in the PRC.

Lighting Business

The Group assessed its sales performance based on the geographical segment which is determined on the basis of location of customers, i.e. Hong Kong, the PRC and overseas.

In 2011, the Company completed the acquisition of the Lighting Business and during the year ended 31 December 2011, the Lighting Business recorded a turnover of approximately HK$153,085,000 with segment results of approximately HK$52,750,000.

Financial Resources, Borrowings and Capital Structure

As at 31 December 2011, the Group had non-current assets of HK$753,182,000 (2010: HK$261,552,000) and net current assets of HK$134,047,000 (2010: HK$513,356,000). The current ratio, expressed as the ratio of the current assets over the current liabilities, was 1.42 as at 31 December 2011 (2010: 10.75). The decrease in net current assets and current ratio is mainly because of the acquisition of the Lighting Business which led to an increase in trade payables and banking facilities during the year.

As at 31 December 2011, the Group had trade and other payables of HK$102,384,000 (2010: HK$45,429,000) and bank and other borrowings of HK$209,630,000 (2010: HK$135,164,000), while total liabilities were HK$387,866,000 (2010: HK$187,802,000). The Group's gearing ratio, which is measured on the basis of the Group's total liabilities divided by total assets, is 32.1% (2010: 22.7%). The increase of the total borrowings of HK$135,545,000 and gearing ratio of 9.4% is mainly due to the acquisition of the Lighting Business which led to an (i) increase in trade payables and banking facilities, and (ii) the issuance of convertible bonds with the principal amount of HK$65,000,000 during the year.

As at 31 December 2011, the Group had bank balances and cash on hand of HK$148,829,000 (2010: HK$449,975,000). The drop in bank balances, as mentioned, was mainly due to the cash settlement of HK$335,000,000 for the acquisition of the Lighting Business during the year.

Subsequent to the financial year ended 31 December 2011

On 13 February 2012, the Company proposed to raise approximately HK$102,320,000, before expenses, by way of an open offer of 136,430,000 offer shares at the subscription price of HK$0.75 per offer share on the basis of one (1) offer share for every two (2) shares held on the record date and payable in full on acceptance. The said open offer with bonus issue was approved by shareholders at the extraordinary general meeting held on 28 March 2012. Details of the open offer with bonus issue have been disclosed in the circular of the Company on 5 March 2012.

Capital Commitment

As at 31 December 2011, the Group had capital commitment for the purchase of production equipment and expansion of production line of HK$23,448,000 (2010: HK$24,691,000), and no capital commitment for the acquisition of subsidiaries (2010: HK$400,000,000).

Save for disclosed above, the Group did not have any capital commitment.

Contingent Liability

As at 31 December 2011, the Group did not have any contingent liability.

Pledge of Assets

As at 31 December 2011, the Group pledged its property, plant and equipment, prepaid lease payments, intangible assets and bank deposits of HK$123,939,000, HK$17,108,000, HK$41,139,000 and HK$2,636,000, respectively to secure the general banking facilities and bills payable. In addition, as at 31 December 2011 and 31 December 2010, the Group pledged its 51% equity interests in Rookwood Investments Limited ("Rookwood"), a non-wholly-owned subsidiary of the Group, and an undated deed of assignment duly executed by the Company and Rookwood pursuant to which the Company agrees to assign a loan to Rookwood of HK$31,476,000 in case of default to a financial institution to secure the other borrowing of HK$150,000,000.

Save for disclosed above, the Group did not have any charge of assets.

Treasury Policy

As at 31 December 2011, the Group had no formal treasury policy.

Currency and interest rate structure

Business transactions of the Group are mainly denominated in Hong Kong dollars and Renminbi. Currently, the Group does not enter into any agreement to hedge against the foreign exchange risk. In view of the fluctuation of Renminbi during the year, the Group will continue monitoring the situation closely and introduce possible measures if suitable.

Significant Investment, Material Acquisition and Disposal

On 22 September 2010, the Company entered into a sales and purchase agreement to acquire the entire share capital of Ace Winner Holdings Limited ("Ace Winner"). Ace Winner hold 69.44% of a group of companies registered in the PRC, which are principally engages in design, manufacturing and sale of LED and semi-conductor lighting related products. The acquisition was completed on 17 March 2011.

Subsequent to the financial year ended 31 December 2011

On 19 January 2012, the Company entered into a sale and purchase agreement to dispose of the 5,100 shares in Rookwood, with its subsidiaries Shenzhen Pinefield Chemical Enterprises Co., Ltd, Changzhou Manfield Transportation Limited, Springfield Chemical Company Limited, Springfield Chemical (Guangzhou) Limited, Manfield Chemical Limited, Champion Chemical (Guangzhou) Company Limited, Manfield Chemical (Changzhou) Limited and its associated Companies — CMW Holding Limited, CMW Coatings (Wuxi) Limited and CMW Coatings (Hong Kong) Limited, and the sale loan in the amount of which HK$31,476,000 at a total consideration of HK$154,000,000. The disposal is still in process up to the report date. Details have been disclosed in the circular of the Company dated 15 March 2012.

An extraordinary general meeting will be held on 31 March 2012 for the approval from the independent shareholders by way of poll.

Saved as disclosed above, there was no significant investment, material acquisition or disposal that should be notified to shareholders for the year ended 31 December 2011 and up to report date.

Employee and Remuneration Policies

As at 31 December 2011, the Group had around 1700 full-time employees which included management and administrative staff and production workers. Most of them were stationed in Mainland China while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

Outlook

Coating Business

In view of (i) the escalating awareness for a more stringent environmental protection and product safety laws and regulations pertaining to the Group's manufacturing facilities and products in the PRC; (ii) the public perception of the pollutive nature of the paint and coating manufacturing industry; (iii) increase in price of crude oil, other key raw materials and labour costs, growing market competition of paint and petrochemical products worldwide; (iv) an increase in the capital expenditure for replacement of ageing production facilities; (v) escalating labour and production costs as a result of the difficulty in hiring staff for the environmentally sensitive paint manufacturing business; (vi) increase in cost in order to ensure the Coating Business complies with relevant laws and regulations, in particular those regarding hazardous substances and environmental safety and (vii) the substantial capital outlay and maintenance costs for the relocation of the existing manufacturing and storage facilities from Shenzhen to a more remote location at Zhong Xin Town, Zencheng, Guangzhou, and as well as the worsening economic environment, the management expects future results and cash flow of the paint and petrochemical products will be adversely affected. As the result, the management considers to dispose of the paint and petrochemical products segment and re-allocate the existing resources of the Group (including but not limited to disposal) to the LED and semi-conductor lighting business.

Lighting Business

The Lighting Business is considered as one of the fastest growing industries worldwide. It has strong support from the PRC government and the local demand of LED products is increasing drastically. However, given the technology of LED is becoming more common nowadays, the technology barrier is lower than before and more new competitors have entered into the LED market in the PRC causing persistent decrease in the level of prices of LED related products. To cope with the foreseeable potential competition from new competitors, the Group will try its best endeavour to reduce the production costs of the LED related products in the followings aspects: i) to expand its production scale and obtain the cost advantage; and ii) to reduce costs through technological innovation. The Group is considering to allocate additional resources on research and development of new LED related products and technology such that the Group can lower the production costs and differentiate itself from its competitors in the LED market. Furthermore, the Group will carry out marketing campaign to strengthen its brand image for Lighting Business to attract new customers. As the acquisition of the Lighting Business was just completed on 17 March 2011, additional time is required to improve its operating performance in order to achieve satisfactory results in the long run.

Meanwhile, the Group will from time to time seek for other investment opportunities in other business streams with promising prospect and companies with profitability track record such that the income base of the Group could be broaden. As at the report date, the Group has not yet identified any suitable investment opportunities. Besides, the Company will keep looking for fund raising opportunities to further strengthen the financial position of the Group as and when necessary. As at the report date, other than the open offer announced by the Company dated 13 February 2012, the Company has not yet identified any fund raising opportunities.

LETTER FROM THE BOARD

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2011 (2010: Nil).

APPRECIATION

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

For and on behalf of the Board
Li Li
Executive Director

Hong Kong, 29 March 2012

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 38 and 16 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 23.

The directors do not recommend the payment of any dividend.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

Details of movements in the property, plant and equipment and prepaid lease payments of the Group during the year are set out in note 12 and 13 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of distributable reserves of the Company are set out in note 28 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 90.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Hu Jun
Ms. Zhang Ying
Mr. Li Li
Mr. Zhang Yang
Mr. Jiang Zhiqian

Independent Non-executive Directors:

Mr. Fok Ho Yin, Thomas	
Mr. Ng Hoi Yue	
Mr. Chiang Chi Kin, Stephen	(appointed on 22 August 2011)
Ms. Zheng DaYong	(resigned on 16 June 2011)

In accordance with Article 99 of the Company's Articles of Association, Mr. Chiang Chi Kin, Stephen will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Li Li and Mr. Zhang Yang will retire by rotation and, being eligible, offer themselves for re-election.

The non-executive directors have no set term of office but are subject to retirement by rotation and are eligible for re-election, in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2011, none of the directors and their associates have any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its holding companies, its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance, to which the Company, or any of its holding companies, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests and short position in the issued share capital of the Company.

Name	Capacity	Number of Shares held	Long or Short Position	Percentage of issued share capital of the Company
Hong Han Limited ("Hong Han")	Beneficial Owner	140,000,000	Long	51.31%
Mr. Wan Zhongbo ("Mr. Wan")	Held by controlled corporation *(Note 1)*	140,000,000	Long	51.31%
Simsen International Corporation Limited ("Simsen International")	Held by controlled corporation *(Note 1)*	140,000,000	Long	51.31%
Ms. Liu Jia ("Ms. Liu")	Held by controlled corporation *(Note 1)*	140,000,000	Short	51.31%
China Century Worldwide Limited ("China Century")	Beneficial Owner *(Note 2)*	30,952,381	Long	11.34%
Mr. Ji Xiao Bo (Mr. Ji)	Held by controlled corporation *(Note 2)*	30,952,381	Long	11.34%
True Focus Limited ("True Focus")	Beneficial owner and held by controlled corporation *(Note 3)*	18,010,000	Long	6.60%
Besford International Limited ("Besford International")	Held by controlled corporation *(Note 4)*	18,010,000	Long	6.60%
COL Capital Limited ("COL Capital")	Held by controlled corporation *(Note 4)*	18,010,000	Long	6.60%
Vigor Online Offshore Limited ("Vigor Online")	Held by controlled corporation *(Note 5)*	18,010,000	Long	6.60%
China Spirit Limited ("China Spirit")	Held by controlled corporation *(Note 5)*	18,010,000	Long	6.60%
Ms. Chong Sok Un ("Ms. Chong")	Held by controlled corporation *(Note 5)*	18,010,000	Long	6.60%

Notes:

1. Hong Han is wholly and beneficially owned by each of Mr. Wan and Ms. Liu as to 50%. Ms. Liu has pledged her entire shares in Hong Han to Simsen Capital Finance Limited, a wholly owned subsidiary of Simsen International, to secure a loan granted to her. Therefore, Mr. Wan and Simsen International are deemed to be interested in the shares held by Hong Han and Ms. Liu is deemed to hold a short position in the shares.

2. China Century is interest in 30,952,381 underlying shares in connection with the convertible bonds issued by the Company on 17 March 2011 in an outstanding principal amount of HK$65,000,000 at the conversion price of HK$2.1 per conversion share. China Century is beneficially owned by Mr. Ji.

3. True Focus owns 13,510,000 Shares. Pacific Orchid Investments Limited, a wholly-owned subsidiary of True Focus Limited, owns 4,500,000 Shares. True Focus is therefore deemed to be interested in 18,010,000 Shares.

4. True Focus is wholly-owned by Besford International. Besford International is a wholly owned subsidiary of COL Capital. Besford International and COL Capital are therefore deemed to be interested in 18,010,000 Shares.

5. COL Capital is beneficially owned by Vigor Online as to approximately 64.33%. Vigor Online is a wholly-owned subsidiary of China Spirit, a company wholly and beneficially owned by Ms. Chong. Vigor Online, China Spirit and Ms. Chong are therefore deemed to be interested in 18,010,000 Shares.

Other than as disclosed above, as at 31 December 2011, none of the Directors or their associates had any interests or short positions in any shares, underlying shares and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTION

The related party transaction(s) as disclosed in note 27 to the Financial Statements do(es) not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. No disclosure requirement is needed accordingly.

DIRECTORS' REPORT

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year ended 31 December 2011.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011 and 2010, sale from the Group's five largest customers accounted for less than 30% of the total revenue for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 34 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 June 2010 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group. Pursuant to Share Option Scheme, the Board may invite any eligible person including any director and employee of the Group to take up options to subscribe for shares of the Company. The Share Option Scheme shall be valid and effective for a period of ten years. No share options were outstanding nor granted during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

CHARITABLE DONATIONS

During the year, the Group made no charitable donations.

DIRECTORS' REPORT

AUDITOR

On 8 February 2012, the Board appointed Zenith CPA Limited as auditor of the Company to fill the casual vacancy caused by the resignation of Deloitte Touche Tohmatsu until the conclusion of the next annual general meeting. Save for the above, there were no other changes in the Company's auditor in the past three years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Zenith CPA Limited as auditor of the Company.

On behalf of the Board
Li Li
Executive Director

Hong Kong, 29 March 2012

CORPORATE GOVERNANCE REPORT

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company (the "Director(s)"). Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

THE BOARD

The Board is charged with overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. The Directors, individually and collectively, must act in good faith and in the best interests of the Company and its shareholders. Roles of the Board include reviewing and guiding corporate strategies and policies, monitoring financial and operating performance and setting appropriate risk management policies.

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

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in page 3, which demonstrated a diversity of skills, expertise, experience and qualifications. The Company has received from the three independent non-executive directors annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

CORPORATE GOVERNANCE REPORT

The Board has appointed Board Committees to oversee different areas of the Company's affairs. The composition of the Board and the Board Committees are given below and their respective responsibilities are discussed in this report.

Board of Directors	Audit Committee	Nomination Committee (established on 29 March 2012)	Remuneration Committee
Executive Directors:			
Mr. Hu Jun	—	—	—
Ms. Zhang Ying	—	—	—
Mr. Li Li	—	—	—
Mr. Zhang Yang			
Mr. Jiang Zhiqian	—	—	—
Independent Non-executive Directors:			
Mr. Fok Ho Yin, Thomas	✓	✓	✓
Mr. Ng Hoi Yue	✓	✓	✓
Mr. Chiang Chi Kin, Stephen (appointed on 22 August 2011)	✓	✓	✓

Regular Board meetings are scheduled in advance to facilitate fullest possible attendance. The company secretary assists the executive directors in setting the agenda of Board meetings and each Director is invited to present any businesses that he wishes to discuss or propose at such meetings. Board papers are circulated to all Directors within reasonable time before the Board meetings to ensure timely access to relevant information. Directors may choose to take independent professional advice if necessary. Draft and final versions of minutes are circulated to all Directors for comments. The Company held 16 Board meetings in 2011. Attendances of the Board meetings are as follows:

Name of Directors	Number of Board meetings attended
Mr. Hu Jun	7/7
Ms. Zhang Ying	7/7
Mr. Li Li	7/7
Mr. Zhang Yang	7/7
Mr. Jiang Zhiqian	6/7
Mr. Fok Ho Yin, Thomas	5/7
Mr. Ng Hoi Yue	4/7
Mr. Chiang Chi Kin, Stephen (appointed on 22 August 2011)	1/3
Ms. Zheng DaYong (resigned on 16 June 2011)	3/3

REMUNERATION COMMITTEE

As at the date of the report, the Remuneration Committee comprises three independent non-executive directors: Mr. Fok Ho Yin, Thomas (Committee Chairman), Mr. Ng Hoi Yue and Mr. Chiang Chi Kin, Stephen.

The written terms of reference stipulating the authority and duties of the Remuneration Committee are posted on the Company's website to conform to the provisions of the CG Code.

The Remuneration Committee's major roles are to make recommendations to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages to all executive directors and senior management as well as review and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year, one meeting was held by the Remuneration Committee and attended by all members to review and discuss the Company's policy and structure of remuneration of the Directors.

AUDITOR'S REMUNERATION

During the year ended 31 December 2011, the fees in respect of audit and non-audit services provided to the Company and its subsidiaries amounted to HK$400,000 by Zenith CPA Limited (the auditor of the Company) and HK$660,000 by Deloitte Touche Tohmatsu (the preceding auditor of the Company), respectively. The non-audit services mainly related to the professional services rendered to the Company amounted to HK$650,000 by Zenith CPA Limited and HK$900,000 by Deloitte Touche Tohmatsu.

AUDIT COMMITTEE

As at the date of the report, the Audit Committee comprises three independent non-executive directors: Mr. Fok Ho Yin, Thomas (Committee Chairman), Mr. Ng Hoi Yue and Mr. Chiang Chi Kin, Stephen.

The written terms of reference stipulating the authority and duties of the Audit Committee are posted on the Company's website to conform to the provisions of the CG Code.

The main duties of the Audit Committee are: (i) reviewing and supervising the Group's financial statements and internal control procedures. The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and have discussed auditing, internal controls and financial reporting matters; (ii)monitoring, developing and implementing the Group's policy on external auditor; (iii) recommending the appointment and reappointment of the Group's external auditor; and (iv) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board.

During the year, three meetings were held by the Audit Committee and attended by all members to review and discuss the financial reporting matters, including the review of the interim and annual financial statements.

NOMINATION COMMITTEE

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

On 29 March 2012, a Nomination Committee was established with specific terms of reference to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) make recommendations to the Board on relevant matters relating to the appointment or re-appointment and succession planning of Directors; (iii) identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; and (iv) assess the independence of independent non-executive directors. Mr. Fok Ho Yin, Thomas, was appointed as the chairman and Mr. Ng Hoi Yue and Mr. Chiang Chi Kin, Stephen were appointed as members of the Nomination Committee.

CODE OF ETHICS AND SECURITIES TRANSACTIONS ("CODE OF ETHICS")

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

DEVIATIONS FROM CODE ON CORPORATE GOVERNANCE PRACTICES AND LISTING RULES

The Company has complied with the CG Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011, except for the following deviations:

Code provision A.4.1

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

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

CORPORATE GOVERNANCE REPORT

Non-compliance with requirements regarding independent non-executive director and member of Audit Committee

Rule 3.10 (1) and 3.21 of the Listing Rules require that the Board and the Audit Committee should include at least three independent non-executive directors and members respectively.

The total number of independent non-executive directors and members of the Audit Committee fell below the minimum requirement as set under the Listing Rules after the former directors, Ms. Zheng DaYong, resigned on 16 June 2011. On 22 August 2011, Mr. Chiang Chi Kin, Stephen was appointed as an independent non-executive director, a member of Remuneration Committee and a member of Audit Committee. Following the appointment of Mr. Chiang Chi Kin, Stephen, the Company has fulfilled the minimum number of independent non-executive directors required under Rule 3.10(1) and Audit Committee members under Rule 3.21 of the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE GROUP'S FINANCIAL REPORTING

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

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

INTERNAL CONTROL

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of effective communication with the shareholders of the Company. The Company has established a number of communication channels to maintain an ongoing dialogue with its shareholders and encourage shareholders to engage actively with the Company. These include (i) holding annual and extraordinary general meetings for shareholders to communicate directly with the Board and the Board committees; (ii) releasing notice, announcements and other documents to deliver the Group's latest information to the shareholders; and (iii) maintaining the Company's website to provide an electronic means of communication with the shareholders and the public. Shareholders and other interested parties are welcome to access the Group's information from the Company's website at www.gch.hk. The Group's corporate information including terms of reference of the Board committees, the Group's financial reports, notices, announcements and circulars are available on the Company's website. The Company will continue to review regularly the communication policy to ensure its effectiveness.

INDEPENDENT AUDITOR'S REPORT

ZENITH CPA LIMITED
誠豐會計師事務所有限公司
Unit 318, 3/F., Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

香港灣仔港灣道6-8號
瑞安中心3樓318室

TO THE MEMBERS OF GREENFIELD CHEMICAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greenfield Chemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 89, which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of the 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 our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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 Group as at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong

Hong Kong, 29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	5	**456,232**	310,524
Cost of sales		**(313,162)**	(219,521)
Gross profit		**143,070**	91,003
Other income		**28,787**	21,114
Distribution and selling expenses		**(32,349)**	(27,742)
Administrative expenses		**(89,259)**	(60,897)
Other expense		**(126)**	(5,534)
Share of profits of associates	16	**26,613**	54,065
Change in fair value of embedded derivatives	30	**16,573**	—
Finance costs	7	**(24,374)**	(164)
Profit before taxation	8	**68,935**	71,845
Taxation	9	**(8,163)**	(8,259)
Profit for the year		**60,772**	63,586
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**31,708**	9,978
Total comprehensive income for the year		**92,480**	73,564
Profit for the year attributable to:			
Owners of the Company		**27,448**	24,950
Non-controlling interests		**33,324**	38,636
		60,772	63,586
Total comprehensive income attributable to:			
Owners of the Company		**47,171**	29,937
Non-controlling interests		**45,309**	43,627
		92,480	73,564
Earnings per share attributable to owners of the Company during the year	11		
— Basic		**HK10.1 cents**	HK9.1 cents
— Diluted		**HK5.3 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**256,792**	76,501
Prepaid lease payments	13	**52,513**	34,740
Goodwill	14	**203,392**	—
Intangible assets	15	**80,286**	—
Interests in associates	16	**160,199**	150,138
Available-for-sale investments	17	**—**	10
Deferred tax assets	18	**—**	163
		753,182	261,552
CURRENT ASSETS			
Prepaid lease payments	13	**1,272**	842
Inventories	19	**96,776**	30,214
Trade and other receivables	20	**203,907**	84,869
Tax recoverable		**—**	94
Pledged deposits	21	**2,636**	—
Bank balances and cash	21	**148,829**	449,975
		453,420	565,994
CURRENT LIABILITIES			
Trade and other payables	22	**102,384**	45,429
Tax payable		**6,919**	7,209
Bank and other borrowings	24	**209,630**	—
Deferred revenue	31	**440**	—
		319,373	52,638
NET CURRENT ASSETS		**134,047**	513,356
TOTAL ASSETS LESS CURRENT LIABILITIES		**887,229**	774,908

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	23	**27,286**	27,286
Reserves		**455,792**	408,621
Equity attributable to owners of the Company		**483,078**	435,907
Non-controlling interests		**335,658**	203,837
Total equity		**818,736**	639,744
Non-current liability			
Bank and other borrowings	24	**—**	135,164
Loan from government	25	**6,557**	—
Convertible bonds liability	30	**53,682**	—
Embedded derivatives	30	**—**	—
Deferred tax liabilities	18	**7,875**	—
Deferred revenue	31	**379**	—
		68,493	135,164
		887,229	774,908

The consolidated financial statements on pages 23 to 89 were approved and authorised for issue by the Board of Directors on 29 March 2012 and are signed on its behalf by:

Li Li
DIRECTOR

Zhang Yang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note a)	Translation reserve HK$'000	Non-distributable reserve HK$'000 (note b)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	27,286	100,853	32,000	13,753	6,127	225,951	405,970	175,890	581,860
Exchange differences arising on translation of foreign operations	—	—	—	4,987	—	—	4,987	4,991	9,978
Profit for the year	—	—	—	—	—	24,950	24,950	38,636	63,586
Total comprehensive income for the year	—	—	—	4,987	—	24,950	29,937	43,627	73,564
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	(15,680)	(15,680)
Transfer	—	—	—	—	244	(244)	—	—	—
At 31 December 2010	27,286	100,853	32,000	18,740	6,371	250,657	435,907	203,837	639,744
Exchange differences arising on translation of foreign operations	—	—	—	19,723	—	—	19,723	11,985	31,708
Profit for the year	—	—	—	—	—	27,448	27,448	33,324	60,772
Total comprehensive income for the year	—	—	—	19,723	—	27,448	47,171	45,309	92,480
Acquisition of subsidiaries (note 29)	—	—	—	—	—	—	—	86,512	86,512
Transfer	—	—	—	—	2,548	(2,548)	—	—	—
At 31 December 2011	27,286	100,853	32,000	38,463	8,919	275,557	483,078	335,658	818,736

Notes:

(a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK$1 each issued by a subsidiary of the Company to its then shareholders prior to a group reorganisation in 2002.

(b) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China (the "PRC") other than Hong Kong to the non-distributable reserve under the PRC laws and regulations until the transferred amount equals to 50% of the registered capital of these PRC subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**68,935**	71,845
Adjustments for:			
Impairment losses on trade receivables		**3,599**	508
Write off of interest receivable on loan receivable included in other expense		**—**	5,534
Loss on disposal of available-for-sale investments		**10**	—
Finance costs	7	**24,374**	164
Amortisation of prepaid lease payments		**1,147**	621
Amortisation of intangible assets		**5,991**	—
Depreciation of property, plant and equipment		**17,305**	9,779
Loss (Gain) on disposal of property, plant and equipment		**186**	(27)
Change in fair value of embedded derivatives	30	**(16,573)**	—
Interest income earn from bank deposits		**(611)**	(236)
Share of profits of associates	16	**(26,613)**	(54,065)
Operating cash flows before movements in working capital		**77,750**	34,123
Increase in inventories		**(2,848)**	(8,642)
Increase in trade and other receivables		**(34,840)**	(7,988)
(Decrease) Increase in trade and other payables		**(11,757)**	7,133
Decrease in deferred revenue		**(339)**	—
Cash generated from operations		**27,966**	24,626
Income tax paid		**(12,591)**	(4,172)
NET CASH FROM OPERATING ACTIVITIES		**15,375**	20,454
INVESTING ACTIVITIES			
Repayment of loans receivable		**—**	159,055
Purchase of property, plant and equipment		**(42,736)**	(10,081)
Addition of prepaid lease payments		**—**	(21,268)
Net cash outflow on acquisition of subsidiaries		**(310,812)**	—
Dividend received from associates		**22,500**	13,500
Interest income earn from bank deposits		**611**	236
Proceeds from disposal of property, plant and equipment		**169**	344
Increase in pledged bank deposits		**(2,636)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(332,904)**	141,786

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES			
Interest paid		**(3,771)**	—
Bank and other borrowing raised		**48,898**	150,000
Repayment of bank and other borrowings		**(33,901)**	—
Prepaid loan interest (note 24)		**—**	(15,000)
Dividend paid to minority shareholders of a subsidiary		**—**	(15,680)
NET CASH FROM FINANCING ACTIVITIES		**11,226**	119,320
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(306,303)**	281,560
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**449,975**	165,498
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**5,157**	2,917
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash		**148,829**	449,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company and ultimate holding company is Hong Han Limited, a company incorporated in the British Virgin Islands ("BVI"). Hong Han Limited is wholly and beneficially owned by Mr. Wan Zhongbo and Ms. Liu Jia as to 50% each. 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 Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 38 and 16, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is HK$. The consolidated financial statements of the Group are presented in HK$ as the management considers this presentation to be more useful for its current and potential investors.

The Group's principal places of the business are in Hong Kong and the PRC.

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

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs has had no impact on the Group's financial performance and positions for the current and prior years, except as described below.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. The related party disclosures set out in note 27 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

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

New and revised HKFRSs applied with no material effects on the consolidated financial statements

The following new and revised HKFRSs have also been adopted in preparing the current year's consolidated financial statements. The application of these new and revised HKFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. The application of the amendments has no effect on the disclosures in these consolidated financial statements.

Amendments to HKAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holder's to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reduction in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs applied with no material effects on the consolidated financial statements (Continued)

HK (IFRIC)-Int 19 Extinguishing Financial Liabilities with Equity Instruments	The interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of HK (IFRIC)-Int 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to HKFRSs issued in 2010	Except for the amendments to HKFRSs and HKAS 1 described earlier, the application of *Improvements to HKFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS9 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]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[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]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-INT 20	Stripping Costs in the Production Place of a Surface Mine[2]

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

New and revised HKFRSs in issue but not yet effective (Continued)

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

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

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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge 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 change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. Under HKFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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 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.

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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

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 purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value as explained in the accounting policies 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 statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

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

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

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

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 in 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production of goods, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, and after taking into account their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production and administrative purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Investments in associates

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

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

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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. When 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.

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 the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, the Group's loans and receivables (including trade and other receivables, pledged deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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 fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade 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, observable changes in national or local economic conditions that correlate with default on trade receivables.

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

For available-for-sale equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For loans and receivables, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, bank and other borrowings, loan from government and the debt component of convertible bonds issued by the Group) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Convertible notes

Convertible notes issued by the Company are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

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

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method or weighted average method.

Revenue recognition

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

Revenue from the sale 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 risks and rewards 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 to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;

Management fee income is recognised when services are provided.

Royalty fee income is derived from agreements signed with counterparties which manufacture products using the proprietary know how of the Group. Royalty fee income is recognised when the counterparties make the related sale.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Retirement benefits costs

Payments to the defined contribution retirement benefits plan, including Occupational Retirement Scheme (the "ORSO Scheme"), the Mandatory Provident Fund Scheme ("MPF Scheme") and the state-managed retirement benefit scheme, are charged as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

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

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. 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. 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.

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.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes statement of comprehensive income 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 differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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 its 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange difference will be reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs not attributable to acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND MANAGEMENT JUDGEMENT

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND MANAGEMENT JUDGEMENT (Continued)

Taxation

In the recent years, the Hong Kong Inland Revenue Department (the "IRD") issued additional assessments to a subsidiary of Company disallowing its offshore claims in aggregate of approximately HK$11,001,000 relating to certain previous years of assessment, details of which are set out in note 9. Income tax expenses of HK$10,000,000 was recognized against the payment for tax reserve certificates in previous years, and the remaining amount of HK$1,001,000 was offset against tax payables as at 31 December 2010. In the opinion of the directors of the Company, the ultimate outcome of the additional assessments remain undermined, the tax amount that would otherwise become payable or recoverable might changed and the Group continued to defend vigorously against the additional assessment, hence the amount was not recognised as income tax expenses as at 31 December 2010.

During the year ended 31 December 2011, the directors of the Company reassessed the tax position of the Group and recognized the remaining amount of tax reserve certificates of HK$1,001,000 as income tax expenses.

Estimated impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3. The recoverable amounts of the cash-generating units have been determined based on fair value calculations. These calculations require the use of judgement and estimates of the future cash flows expected to arise from the cash-generating units, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. Details in impairment assessment are set out in note 14 to the financial statements.

Provision against slow-moving inventories

Provision for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the provision involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/write-back in the period in which such estimate has been changed.

Depreciation

The Group depreciates its property, plant and equipment using straight-line method over the estimated useful lives of 4 to 50 years, starting from the date on which the assets are put into productive use. The estimated useful lives reflect the directors' estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND MANAGEMENT JUDGEMENT (Continued)

Estimated impairment of trade and other receivables

Impairment loss on trade receivables of the Group is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Allowances for impairment are determined by management of the Group based on the repayment history of its debtors and the current market conditions. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the amount of impairment allowances of receivables, if any, at each reporting date.

5. REVENUE AND SEGMENT INFORMATION

Segment revenue and results

In the prior year, the Group was principally engaged in the manufacturing and trading of liquid coatings, power coatings and solvents (the "Coating Business"). On 17 March 2011, the Group acquired subsidiaries which are principally engaged in design, manufacturing and sale of the light-emiting diode ("LED") and semi-conductor lighting related products (the "Lighting Business"). The Directors, being the Group's chief operating decision maker considered that the Lighting Business is a separate operating segment and, as a result, and additional segment on this operation has been presented.

The Directors make the decision on allocation of resources and assessment of performance of the Coating Business and Lighting Business based on the location of customers.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2011

	Lighting Business		Coating Business		
	Overseas	The PRC	Hong Kong	The PRC	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue — external sales	**60,030**	**93,055**	**118,453**	**184,694**	**456,232**
Revenue — segment results	**20,685**	**32,065**	**33,652**	**14,146**	**100,548**
Interest income					**611**
Unallocated corporate income					**28,176**
Unallocated corporate expenses					**(79,086)**
Other expense					**(126)**
Share of profits of associates					**26,613**
Finance costs					**(24,374)**
Change in fair value of embedded derivatives					**16,573**
Profit before taxation					**68,935**

For the year ended 31 December 2010

	Coating Business		
	Hong Kong	The PRC	Consolidated
	HK$'000	HK$'000	HK$'000
Revenue — external sales	169,913	140,611	310,524
Revenue — segment results	27,489	23,589	51,078
Interest income			236
Unallocated corporate income			9,382
Unallocated corporate expenses			(37,218)
Other expense			(5,534)
Share of profits of associates			54,065
Finance costs			(164)
Profit before taxation			71,845

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets

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

As at 31 December 2011

	Lighting Business		Coating Business		
	Overseas	**The PRC**	**Hong Kong**	**The PRC**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Trade receivables	**21,153**	**61,840**	**22,927**	**53,120**	**159,040**

As at 31 December 2010

	Coating Business		
	Hong Kong	The PRC	Consolidated
	HK$'000	HK$'000	HK$'000
Trade receivables	28,610	46,447	75,057

Notes:

(i) Segment results represent the profit or loss earned by each segment without allocation of other income, gains and losses, centralised administrative expenses, research and development expenses, change in fair value of embedded derivatives and finance costs. This is the measure reported to the directors for the purpose of resource allocation and performance assessments.

(ii) Other than trade receivables, all assets are not allocated to reportable segments. All liabilities are not allocated to operating segments, as the Group's trade payables represented payables to common suppliers of the operating segments, which cannot be allocated to respective segments on a reasonable basis.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Major customers

During the years ended 31 December 2011 and 2010, none of the customers contributed over 10% of total sales of the Group.

Geographical information

The Group's operations are located in Hong Kong and the PRC. The Group's revenue from external customers and its non-current assets (other than goodwill, deferred tax assets, financial instruments and interests in associates) by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**118,453**	169,913	**6,629**	6,294
The PRC	**277,749**	140,611	**382,962**	104,947
Overseas	**60,030**	—	**—**	—
	456,232	310,524	**389,591**	111,241

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The emoluments paid or payable to directors were as follows:

	Hu Jun HK$'000 (Note iii)	Zhang Ying HK$'000 (Note iii)	Li Li HK$'000 (Note iii)	Zhang Yang HK$'000 (Note iii)	Fok Ho Yin, Thomas HK$'000 (Note iv)	Zheng Da Yong HK$'000 (Note v)	Ng Hoi Yue HK$'000 (Note vi)	Jiang Zhiqian HK$'000 (Note vii)	Chiang Chi Kin, Stephen HK$'000 (Note x)	Total HK$'000
2011										
Fees	—	—	—	—	150	83	108	—	36	377
Other emoluments	—	—	—	—	—	—	—	—	—	—
Salaries and other benefits	—	—	—	—	—	—	—	—	—	—
Retirement benefit scheme contribution	—	—	—	—	—	—	—	—	—	—
Total emoluments	—	—	—	—	150	83	108	—	36	377

	Wong Peng Chong HK$'000 (Note i)	Kong Muk Yin HK$'000 (Note i)	Lau Yau Cheung HK$'000 (Note ii)	Hu Jun HK$'000 (Note iii)	Zhang Ying HK$'000 (Note iii)	Li Li HK$'000 (Note iii)	Zhang Yang HK$'000 (Note iii)	Fok Ho Yin, Thomas HK$'000 (Note iv)	Zheng Da Yong HK$'000 (Note v)	Ng Hoi Yue HK$'000 (Note vi)	Jiang Zhiqian HK$'000 (Note vii)	Lau Siu Ki, Kevin HK$'000 (Note viii)	Wu Wing Kit HK$'000 (Note ix)	Chui Hong Sheung HK$'000 (Note ix)	Total HK$'000
2010															
Fees	—	—	—	—	—	—	—	—	—	—	—	100	100	100	300
Other emoluments															
Salaries and other benefits	—	—	158	—	—	—	—	—	—	—	—	—	—	—	158
Retirement benefit scheme contribution	—	—	1	—	—	—	—	—	—	—	—	—	—	—	1
Total emoluments	—	—	159	—	—	—	—	—	—	—	—	100	100	100	459

Notes:

(i) Appointed on 13 October 2009 and resigned on 21 January 2010
(ii) Resigned on 21 January 2010
(iii) Appointed on 21 January 2010
(iv) Appointed on 11 June 2010
(v) Appointed on 1 September 2010 and resigned on 16 June 2011
(vi) Appointed on 26 November 2010
(vii) Appointed on 30 November 2010
(viii) Resigned on 11 June 2010
(ix) Resigned on 1 September 2010
(x) Appointed on 22 August 2011

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

During the year ended 31 December 2011, no directors (2010: Nil) of the Company included in the five individuals with the highest emoluments in the Group. The emoluments of the five (2010: five) individuals were as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries and other benefits	**9,289**	13,495
Retirement benefit scheme contributions	**355**	338
	9,644	13,833

Their emoluments were within the following bands:

	2011 **Number of employees**	2010 Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,500,001 to HK$4,000,000	**1**	1
HK$7,000,001 to HK$7,500,000	**—**	1

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

No directors waived any emoluments for both years.

7. FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Interest charged on bank and other borrowings wholly repayable within five years	**18,749**	164
Interest on loan from government	**339**	—
Interest on convertible bonds	**5,286**	—
	24,374	164

8. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 6)		
Fees	**377**	300
Other emoluments	**—**	159
Other employee benefits expense	**95,245**	83,272
Total employee benefits expense	**95,622**	83,731
Exchange loss, net	**597**	806
Impairment loss on trade receivables	**3,599**	508
Amortisation of prepaid lease payments	**1,147**	621
Amortisation of intangible assets	**5,991**	—
Auditor's remuneration	**1,060**	660
Cost of inventories recognised as an expense	**313,162**	219,521
Depreciation of property, plant and equipment	**17,305**	9,779
Loss (Gain) on disposal of property, plant and equipment	**186**	(27)
Operating lease rentals in respect of rented premises	**1,539**	949
Share of taxation of associates (included in share of profits of associates)	**8,902**	16,575
Write off on interest receivable on loans receivable included in other expense	**—**	5,534
Loss on disposal of available-for-sale investments	**10**	—
and after crediting the below items, which are included in other income:		
Management fee income	**8,171**	9,099
Royalty fee income	**7,592**	7,366
Government subsidies (note i)	**5,279**	—
Interest income earned from bank deposits	**611**	236

Note:

(i) Amounts represent subsidies obtained from The Central People's Government of the People's Republic of China as a compensation for expenses incurred for the improvement in the relevant subsidiaries' information system, research and development of the relevant subsidiaries' products and other areas that could improve the competitiveness of the relevant subsidiaries as medium and small enterprises in the PRC. There are no unfulfilled conditions or contingencies relating to these subsidies.

9. TAXATION

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	**4,353**	4,166
Under (Over)provision in prior year	**918**	(2)
	5,271	4,164
PRC Enterprise Income Tax:		
Current year	**7,035**	4,095
Overprovision in prior year	**(403)**	—
	6,632	4,095
Deferred tax (note 18)		
Current year	**(3,740)**	—
	8,163	8,259

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

The provision for PRC Enterprise Income Tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

9. TAXATION (Continued)

The new Enterprise Income Tax Law (the "Tax Law") of the PRC is effective on 1 January 2008. The implementation of the Tax Law has impact on the Company's Coating Business, which previously enjoyed the preferential tax policies in the form of reduced tax rate. The Company's PRC subsidiaries in Coating Business will have five years of time when the Tax Law takes effect to transition progressively to the legally prescribed tax rate. The applicable tax rate for the Company's subsidiaries in Coating Business registered in the PRC is 25% for both years, except that one subsidiary applied tax rate of 24% (2010: 22%) for the year ended 31 December 2011.

The subsidiary in Lighting Business was approved as Hi-New Technology Enterprise by the relevant government authority and is entitled to adopt a tax rate of 15% for the three years ending 31 December 2011, the tax rate is subject to review every three years by the relevant government authority.

In the recent years, the IRD issued additional assessments to a subsidiary of the Company disallowing its offshore claims in respect of its production activities for years of assessment 2002/03 to 2009/10. The Group had purchased tax reserve certificates totalling HK$11,001,000 and an amount of HK$10,000,000 was recognised as income tax expense against such tax reserve certificates in previous years and the remaining amount of tax reserve certificates of HK$1,001,000 was offset against tax payable as at 31 December 2010. In the opinion of the directors of the Company, the ultimate outcome of the additional assessment remains unsettled and the Group will continue to defend vigorously against the additional assessment, hence the remaining amount was not recognised as income tax expenses as at 31 December 2010. During the year ended 31 December 2011, the directors of the Company reassessed the tax position of the Group and recognised the remaining amount of tax reserve certificates of HK$1,001,000 as income tax expenses. Subsequent to the end of the reporting period, the Group has duly withdrawn its offshore claims.

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the Company's PRC subsidiaries starting from 1 January 2008 under the Tax Law that requires withholding tax to be paid upon the distribution of such profits to the shareholders as, in the opinion of the directors, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. TAXATION (Continued)

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation	**68,935**	71,845
Less: Share of profits of associates	**(26,613)**	(54,065)
	42,322	17,780
Taxation at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**6,983**	2,934
Tax effect of expenses not deductible for tax purpose	**559**	1,298
Tax effect of income not taxable for tax purpose	**(4,495)**	(39)
Tax effect of tax losses not recognised	**5,229**	1,815
Effect of different tax rates of subsidiaries operating in the PRC	**(629)**	2,253
Under (Over)provision in respect of prior year	**516**	(2)
Taxation charge for the year	**8,163**	8,259

Details of deferred taxation are set out in note 18.

10. DIVIDEND

No final dividend for the year ended 31 December 2011 (2010: nil) has been proposed by the directors.

11. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	For the year ended 31 December	
	2011	2010
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**27,448**	24,950
Effect of dilutive potential ordinary shares:		
Change in fair value of embedded derivatives	**(16,573)**	—
Effect of effective interest on the liability component of convertible bonds	**5,286**	—
Earnings for the purpose of diluted earnings per share	**16,161**	24,950
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**272,860,000**	272,860,000
Effect of dilutive potential ordinary shares:		
Conversion of convertible bonds	**30,952,381**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**303,812,381**	272,860,000

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Plant, machinery and equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2010	64,341	17,739	28,609	9,299	31,767	2,222	153,977
Exchange realignment	1,946	534	941	294	1,066	230	5,011
Additions	—	204	2,060	1,734	299	5,784	10,081
Transfer	—	—	—	—	13	(13)	—
Disposals	(6)	(2)	(298)	(822)	(143)	(30)	(1,301)
At 31 December 2010	66,281	18,475	31,312	10,505	33,002	8,193	167,768
Acquisition of subsidiaries	70,152	—	1,195	2,079	66,165	—	139,591
Exchange realignment	5,673	807	1,475	590	4,543	1,105	14,193
Additions	708	740	1,243	3,318	14,456	28,081	48,546
Transfer	440	—	—	—	170	(610)	—
Disposals	—	(43)	(533)	(755)	(271)	—	(1,602)
At 31 December 2011	143,254	19,979	34,692	15,737	118,065	36,769	368,496
DEPRECIATION							
At 1 January 2010	20,336	13,969	21,369	5,337	18,803	—	79,814
Exchange realignment	724	446	676	163	649	—	2,658
Provided for the year	2,718	1,256	2,322	1,298	2,185	—	9,779
Eliminated on disposals	(1)	(2)	(265)	(618)	(98)	—	(984)
At 31 December 2010	23,777	15,669	24,102	6,180	21,539	—	91,267
Exchange realignment	1,199	678	1,078	289	1,135	—	4,379
Provided for the year	4,534	378	2,946	2,050	7,397	—	17,305
Eliminated on disposals	—	(32)	(422)	(629)	(164)	—	(1,247)
At 31 December 2011	29,510	16,693	27,704	7,890	29,907	—	111,704
CARRYING AMOUNTS							
At 31 December 2011	113,744	3,286	6,988	7,847	88,158	36,769	256,792
At 31 December 2010	42,504	2,806	7,210	4,325	11,463	8,193	76,501

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's owner-occupied leasehold land located in Hong Kong is included in the above land and buildings as the allocation between the land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, and after taking into account their estimated residual values, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	4.5%–20%
Furniture, fixtures and office equipment	18%–20%
Motor vehicles	10%–25%
Plant, machinery and equipment	4%–18%

The carrying values of land and buildings shown above comprise:

	2011 **HK$'000**	2010 HK$'000
Medium-term leases in Hong Kong	**5,215**	5,376
Medium-term leases in the PRC	**108,529**	37,128
	113,744	42,504

As at 31 December 2011, certain of the Group's property, plant and equipment with a carrying amount of HK$123,939,000 have been pledged to secure certain bank borrowings of the Group.

13. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights in the PRC held under medium-term lease, and are analysed for reporting purposes as follows:

	2011 **HK$'000**	2010 HK$'000
Carrying amount at 1 January	**35,582**	13,907
Acquisition of subsidiaries	**16,737**	—
Additions	**—**	21,268
Amortisation during the year	**(1,147)**	(621)
Exchange realignment	**2,613**	1,028
Carrying amount at 31 December	**53,785**	35,582
Less: Current portion	**(1,272)**	(842)
Non-current portion	**52,513**	34,740

As at 31 December 2011, the Group's prepaid land lease payments with a carrying value of HK$17,108,000 were pledged to secure bank borrowings of the Group.

14. GOODWILL

Goodwill of HK$203,392,000, arose in current year, related to the acquisition of Ace Winner Holdings Limited ("Ace Winner")and its subsidiaries (collectively referred to as the "Ace Winner Group"). Ace Winner is an investment holding company with an indirect 69.44% equity interest, held through its wholly owned subsidiary, China Opto Investments Limited, in the issued share capital of Jiangsu Wenrun Optoelectronic Co., Ltd ("Jiangsu Wenrun"). Jiangsu Wenrun is principally engaged in the Lighting Business. Goodwill of HK$203,392,000 was allocated to the Cash-generating units ("CGUs") for the Lighting Business. Net carrying amount of goodwill is summarised as follows.

	2011 **HK$'000**	2010 HK$'000
At 1 January		
Cost	**—**	—
Accumulated impairment	**—**	—
Net carrying amount	**—**	—
Year ended 31 December		
Opening net book amount	**—**	—
Additional amounts recognised from acquisition of subsidiaries during the year (note 29)	**203,392**	—
Net carrying amount	**203,392**	—
At 31 December		
Cost	**203,392**	—
Accumulated impairment	**—**	—
Net carrying amount	**203,392**	—

A valuation was carried out by Renaissance Appraisals Limited, an independent, professionally qualified valuers, to assess the recoverable amount of the goodwill arising from the acquisition of the Ace Winner Group. The director of Renaissance Appraisals Limited is a member of Royal Institution of Chartered Surveyors. The recoverable amounts for the above CGU have been determined based on the fair value calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flow at the growth rates stated below.

14. GOODWILL (Continued)

The growth rates reflect the long-term average growth rates for the product lines of the CGU. The discount rates used are pre-tax and reflect specific risk relating to the relevant business segments. The key assumptions used for fair value calculations are:

	2011
Growth rates	11%
Discount rates	14.99%

The Group's management's key assumptions for the Group include stable profit margins, which have been determined based on the past performance and its expectations for the market share after taking into consideration of published market forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments. On the other hand, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

15. INTANGIBLE ASSETS

	Patents HK$'000	Trademarks HK$'000	Total HK$'000
Cost			
Balance at 1 January 2010, 31 December 2010 and 1 January 2011	—	—	—
Acquisition of subsidiaries	41,551	41,551	83,102
Exchange realignment	1,645	1,645	3,290
Balance at 31 December 2011	43,196	43,196	86,392
Accumulated amortisation and impairment			
Balance at 1 January 2010, 31 December 2010 and 1 January 2011	—	—	—
Amortisation expense	2,018	3,973	5,991
Exchange realignment	39	76	115
Balance at 31 December 2011	2,057	4,049	6,106
Carrying amounts			
Balance at 31 December 2011	41,139	39,147	80,286
Balance at 31 December 2010	—	—	—

15. INTANGIBLE ASSETS (Continued)

The following useful lives are used in the calculation of amortisation.

Patents	13–18 years
Trademarks	8 years

As at 31 December 2011, the Group's patents with a carrying value of HK$41,139,000 were pledged to secure bank borrowings of the Group.

16. INTERESTS IN ASSOCIATES

	2011 **HK$'000**	2010 HK$'000
Unlisted investments, at cost	**178**	178
Share of post-acquisition translation reserve	**17,177**	11,229
Share of post-acquisition profits, net of dividends received	**142,844**	138,731
	160,199	150,138

Details of the Group's associates, which are held by a non-wholly owned subsidiary of the Company, at 31 December 2011 and 2010 are as follows:

Name of associate	Place of incorporation/ operations	Proportion of nominal value of issued ordinary shares held by the Group	Principal activity
Chemfield Trading Company Limited	Hong Kong	49%	Inactive
CMW Holding Limited	Hong Kong	45%	Investment holding

16. INTERESTS IN ASSOCIATES (Continued)

Name of subsidiaries of CMW Holding Limited	Place of incorporation or establishment/ operations	Proportion of nominal value of issued ordinary shares/ registered capital held by CMW Holding Limited	Principal activities
廣州卡秀堡萬輝塗料有限公司 CMW Coatings (Guangzhou) Limited	PRC	100%	Manufacturing and trading in paints and related products
無錫卡秀堡萬輝塗料有限公司 CMW Coatings (Wuxi) Limited	PRC	100%	Manufacturing and trading in paints and related products
CMW Coatings (Hong Kong) Limited	Hong Kong	100%	Trading in paints and related products

The summarised financial information in respect of the Group's associates is set out below:

	2011 **HK$'000**	2010 HK$'000
Total assets	**474,613**	445,405
Total liabilities	**(118,615)**	(111,764)
Net assets	**355,998**	333,641
Group's share of net assets of associates	**160,199**	150,138
Revenue	**606,247**	657,458
Profit for the year	**59,137**	120,145
Group's share of profits of associates for the year	**26,613**	54,065

17. AVAILABLE-FOR-SALE INVESTMENTS

	2011 **HK$'000**	2010 HK$'000
Unlisted equity securities, at cost	—	10

The above unlisted investments represent investments in unlisted equity securities issued by a private entity incorporated in Hong Kong. The Group hold 5% equity interest of this private entity. They do not have a quoted market price in an active market and are stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be reliably measured.

During the year ended 31 December 2011, the Group transferred its equity interests of the above unlisted equity securities to a family member of a director of Group at no consideration. Loss on disposal of available-for-sale investments of HK$10,000 was recognised in profit or loss.

18. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Difference between tax allowance and depreciation HK$'000	**Allowance for trade and other receivables** HK$'000	**Provision for inventories** HK$'000	**Government grant** HK$'000	**Property, plant and equipment** HK$'000	**Intangible assets** HK$'000	**Prepaid lease payment** HK$'000	**Other** HK$'000	**Total** HK$'000
At 1 January 2010, 31 December 2010 and 1 January 2011	47	116	—	—	—	—	—	—	163
Acquisition of subsidiaries	—	1,390	533	(297)	578	(12,464)	(1,598)	—	(11,858)
Charge for the year	—	613	33	990	(80)	1,525	46	613	3,740
Exchange realignment	—	12	—	31	(2)	42	(2)	(1)	80
At 31 December 2011	47	2,131	566	724	496	(10,897)	(1,554)	612	(7,875)

For the purpose of statement of financial position presentation, the above deferred tax assets and liabilities have been offset.

At 31 December 2011, the Group had unused tax losses of approximately HK$42,008,000 (2010: HK$31,285,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

18. DEFERRED TAXATION (Continued)

The New Law imposes withholding tax upon the distribution of profits earned by the Company's PRC subsidiaries on or after 1 January 2010 to their non-PRC shareholders. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Company's PRC subsidiaries amounting to approximately HK$30,897,000 (2010: HK$24,390,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

19. INVENTORIES

	2011	2010
	HK$'000	HK$'000
Raw materials	**38,325**	22,184
Work in progress	**15,384**	4,133
Finished goods	**43,067**	3,897
	96,776	30,214

20. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Trade receivables from third parties	**148,014**	67,815
Trade receivables from associates	**11,026**	7,242
Other receivables	**44,867**	9,812
	203,907	84,869

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting periods:

	Trade receivables from third parties		Trade receivables from associates	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
0–30 days	**56,720**	34,731	**11,026**	7,242
31–60 days	**27,799**	16,456	**—**	—
61–90 days	**17,711**	10,380	**—**	—
Over 90 days	**45,784**	6,248	**—**	—
	148,014	67,815	**11,026**	7,242

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with the Group.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$54,039,000 (2010: HK$19,512,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2011	2010
	HK$'000	HK$'000
0 – 90 days past due	**34,340**	10,182
Over 90 days past due	**19,699**	9,330
	54,039	19,512

No interest is charged on the trade receivables. Trade receivables over the credit period granted to customers have been provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

20. TRADE AND OTHER RECEIVABLES (Continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$15,682,000 (2010: HK$3,275,000) that are considered irrecoverable by management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the ageing of these receivables. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts is as follows:

	2011	2010
	HK$'000	HK$'000
Balance at the beginning of the year	**3,275**	3,855
Acquisition from business combination	**9,269**	—
Impairment losses recognised	**3,599**	508
Amounts written off as uncollectible	**(461)**	(1,088)
Balance at the end of the year	**15,682**	3,275

21. BANK BALANCES AND CASH/PLEDGED DEPOSITS

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The bank balances carry interest at prevailing market rate of 0.49% (2010: 0.16%) per annum. The pledged deposits carry interest rate of 0.5% per annum.

22. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	HK$'000
Trade payables to third parties	**48,698**	21,136
Trade payable to an associate	**515**	921
Accruals, deposits received and other payables	**53,171**	23,372
	102,384	45,429

22. TRADE AND OTHER PAYABLES (Continued)

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

	Trade payables to third parties		Trade payable to an associate	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
0–30 days	**28,174**	19,247	**515**	921
31–60 days	**9,541**	1,412	**—**	—
61–90 days	**5,505**	105	**—**	—
Over 90 days	**5,478**	372	**—**	—
	48,698	21,136	**515**	921

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

23. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each:		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2010, 31 December 2010 and 31 December 2011	272,860,000	27,286

24. BANK AND OTHER BORROWINGS

	2011	2010
	HK$'000	HK$'000
Bank loans (note (i))	**55,530**	—
Loan from financial institution (note (ii))	**154,100**	135,164
	209,630	135,164
Secured	**205,530**	135,164
Unsecured	**4,100**	—
	209,630	135,164
Carrying amount repayable		
Within one year	**209,630**	—
More than one year, but not exceeding two years	**—**	135,164
	209,630	135,164
Less: Amounts shown under current liabilities	**(209,630)**	—
	—	135,164

Notes:

(i) Secured by the Group's property, plant and equipment, prepaid lease payments and intangible assets (see notes 12, 13 and 15) and the effective interest rates ranged from 6.41%–7.22% (2010: Nil) per annum.

(ii) (a) On 23 December 2010, the Company entered into a loan agreement with a financial institution and obtained a term loan amounting to HK$150,000,000. The loan bears interest at 10% per annum, and is secured by pledge of shares and an undated deed of assignment of a loan, details of which are set out in note 26. Pursuant to the loan agreement, the Company prepaid loan interest of HK$15,000,000 to the lender on or before 31 December 2010 and the remaining interest, together with the principal will be repayable on 30 June 2012 but the lender could demand early repayment of the principal amount and accrued interest in full or any part thereof, at any time on or after 1 March 2012.

(b) Fixed rate loan bearing interest at 12% per annum with another financial institution amounted to approximately HK$4,100,000 (2010: Nil) with maturity period not exceeding 1 year.

25. LOAN FROM GOVERNMENT

	2011 HK$'000	2010 HK$'000
Loan from government	**6,557**	—

Note: During the year, Jiangsu Wenrun received a loan with 0.3% interest-bearing of approximately HK$7,122,000 from the PRC local government to finance the research and development of technology of LED equipment over a three-year period. The loan is repayable in full at the end of that three-year period. Using prevailing market interest rates for an equivalent loan of 6.88%, the fair value of the loan is estimated at approximately HK$5,853,000 on initial recognition. The difference of approximately HK$1,269,000 between the gross proceeds and the fair value of the loan is the benefit derived from the loan with low interest and is recognised as deferred revenue (see note 31). Interest expenses of approximately HK$339,000 were recognised on this loan in 2011.

26. PLEDGE OF ASSETS

As at 31 December 2011, the Group pledged its property, plant and equipment, prepaid lease payments, intangible assets and bank deposit of HK$123,939,000, HK$17,108,000, HK$41,139,000, and HK$2,636,000 respectively to secure the general banking facilities and bills payable.

In addition, as at 31 December 2011 and 2010, the Group pledged its 51% equity interests in Rookwood Investments Limited ("Rookwood") and an undated deed of assignment duly executed by the Company and Rookwood pursuant to which the Company agrees to assign a loan to Rookwood of HK$31,476,000 in case of default to a financial institution to secure the term loan of HK$150,000,000.

27. RELATED PARTY TRANSACTIONS

During the year, other than as disclosed in notes 20 and 22, the Group had the following transactions with its related parties:

Relationship	**Nature of transactions**	**2011 HK$'000**	2010 HK$'000
Associates	Sales of goods by the Group	**41,390**	35,753
	Management fee income earned by the Group	**8,171**	9,099
	Purchase of goods by the Group	**8,922**	6,025
	Royalty fee income earned by the Group	**7,592**	7,366
	Dividend received by the Group	**22,500**	13,500
Related company (note)	Purchase of a property	—	21,268

Note: An entity owned by a former director of the Company, who is an existing director of certain non-wholly owned subsidiaries of the Company.

27. RELATED PARTY TRANSACTIONS (Continued)

In addition, the remuneration of directors and other members of key management during the year, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	**9,666**	13,952
Post-employment benefits	**355**	340
	10,021	14,292

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Details of the statement of financial position of the Company as at the end of the reporting period are as follows:

	Notes	2011 HK$'000	2010 HK$'000
Assets and liabilities			
Investments in subsidiaries		**460,735**	60,766
Amounts due from subsidiaries	(a)	**39,268**	37,594
Deposits and prepayments		**156**	1,465
Bank balances and cash		**145**	341,112
		500,304	440,937
Amount due to subsidiaries		**(6,314)**	(6,314)
Accruals		**(2,076)**	(2,288)
Bank and other borrowings		**(154,100)**	(135,164)
Convertible bonds liability		**(53,682)**	—
		284,132	297,171
Capital and reserves			
Share capital		**27,286**	27,286
Reserves	(b)	**256,846**	269,885
		284,132	297,171

Notes:

(a) The amounts are unsecured, interest-free and expected to realise in the next twelve months from the end of the reporting period.

(b) Details of changes in reserves of the Company are as follows:

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	100,853	119,071	41,587	261,511
Profit for the year	—	—	8,374	8,374
At 31 December 2010	100,853	119,071	49,961	269,885
Loss for the year	—	—	(13,039)	(13,039)
At 31 December 2011	100,853	119,071	36,922	256,846

29. ACQUISITION OF SUBSIDIARIES

On 21 September 2010, the Company entered into a sales and purchase agreement (the "S&P") with China Century Worldwide Limited ("China Century"). Under the S&P, the Company conditionally agreed to acquire from China Century the entire issued share capital of Ace Winner, a limited company incorporated in the BVI, which owns 69.44% of a group of companies registered in the PRC, which are principally engaged in the Lighting Business (the "Acquisition"). The total consideration for the Acquisition was satisfied by HK$335,000,000 in cash and by issuance of convertible bonds with principal amount of HK$65,000,000. Fair value of the consideration as at the date of the Acquisition was HK$399,969,000. The Acquisition was completed on 17 March 2011 and this transaction has been accounted for using the acquisition method. The amount of goodwill as a result of the Acquisition was HK$203,392,000.

Assets and liabilities recognised as at the date of completion of the Acquisition:

	Acquirees' carrying amount HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Property, plant and equipment (note (i))	143,447	(3,856)	139,591
Prepaid lease payments (note (ii))	6,082	10,655	16,737
Intangible assets (note (iii))	—	83,102	83,102
Deposits paid for purchase of property, plant and equipment	5,810	—	5,810
Deferred tax assets	1,627	(1,627)	—
Inventories (note (iv))	60,364	—	60,364
Tax recoverable	1,336	—	1,336
Trade and other receivables (note (v))	79,880	—	79,880
Bank balances and cash	24,188	—	24,188
Trade and other payables	(64,586)	—	(64,586)
Borrowings	(42,732)	—	(42,732)
Loan from government	(7,122)	1,126	(5,996)
Deferred revenue	—	(1,120)	(1,120)
Deferred tax liabilities	—	(13,485)	(13,485)
Net assets	208,294		283,089
Non-controlling interests (note (vi))			(86,512)
			196,577
Goodwill arising from acquisition			203,392
Total consideration			399,969
Total consideration satisfied by:			
Cash			335,000
Convertible bonds (note (vii))			64,969
			399,969

29. ACQUISITION OF SUBSIDIARIES (Continued)

	Acquirees' carrying amount HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net cash outflow arising on acquisition:			
Cash consideration paid			335,000
Less: Cash and cash equivalent balances acquired			(24,188)
			310,812

Notes:

(i) Property, plant and equipment were revalued at 17 March 2011 by BMI Appraisals Limited, an independent, professionally qualified valuers, at HK$139,591,000 in aggregate on market approach and cost approach. BMI Appraisals Limited is a member of Royal Institution of Chartered Surveyors.

(ii) Prepaid lease payments were revalued at 17 March 2011 by BMI Appraisals Limited, an independent, professionally qualified valuers, at HK$16,737,000 in aggregate on depreciated replacement cost approach.

(iii) The intangible assets include four patents and one trademark. Intangible assets were revalued at 17 March 2011 by Renaissance Appraisals Limited, an independent, professionally qualified valuers, at HK$83,102,000 in aggregate on income approach.

(iv) Inventories were revalued at 17 March 2011 by Renaissance Appraisals Limited, an independent, professionally qualified valuers, at HK$60,364,000 in aggregate on the relief from royalty method.

(v) The trade and other receivables acquired with a fair value of HK$79,880,000 had gross contractual amounts of HK$89,149,000 The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$9,269,000.

(vi) Non-controlling interests are measured by reference to the proportionate share of recognised amounts of net identifiable assets at the date of acquisition.

(vii) The convertible bonds with principal amount of HK$65,000,000 are denominated in HK$, bearing interest at 3% per annum and will be matured on 17 March 2014. The convertible bonds can be converted into 30,952,380 shares of the Company at a conversion price of HK$2.1 per share, subject to the usual provisions for adjustments arising from the events such as share consolidation, share subdivision, capital issue, capital distribution, rights issue and issue of shares at below 80% of market price. The Company may redeem the convertible bonds at 100% of the principal outstanding amount at any time from the date of issue to the maturity date. As at the date of issue, the fair value of the convertible bonds was HK$64,969,000. Details of the convertible bonds are set out in note 30.

Included in the profit and revenue for the year are HK$27,367,000 and HK$153,085,000, respectively, attributable to the newly acquired subsidiaries.

Had the Acquisition taken effect on 1 January 2011, the revenue of the Group for year ended 31 December 2011 would have been HK$496,490,000, and the profit for the year would have been HK$67,969,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

30. CONVERTIBLE BONDS LIABILITY AND EMBEDDED DERIVATIVES

	Liability HK$'000	Embedded derivatives HK$'000	Total HK$'000
At 1 January 2011	—	—	—
Issued during the year	48,396	16,573	64,969
Imputed interest charged	5,286	—	5,286
Gain arising from change in fair value recognised in profit or loss	—	(16,573)	(16,573)
At 31 December 2011	53,682	—	53,682

The Group's convertible bonds contain the following components:

(a) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interests, on initial recognition, of instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives. The effective interest rate of the liability component is 14% per annum.

(b) Embedded derivatives of the convertible bonds represent: (i) the option to convert the liability into equity of the Company. The conversion will be settled other than by the exchange of a fixed number of the Company's own equity is classified as conversion option derivative as the convertible bonds are denominated in currency other than the functional currency of the Company; and (ii) the issuer's right to redeem the convertible bonds before the maturity date. The fair value of the embedded derivatives is calculated by Renaissance Appraisals Limited, an independent professionally qualified valuers, using the Binomial Option Pricing Model. The director of Renaissance Appraisals Limited is a member of Royal Institution of Chartered Surveyors. The inputs into the model at 17 March 2011 and 31 December 2011 were as follows:

	17 March 2011	31 Dec 2011
Share price	HK$1.65	HK$0.44
Conversion price	HK$2.1	HK$2.1
Expected life (note i)	3 years	2.21 years
Risk free rate (note ii)	0.901%	0.39%
Expected volatility (note iii)	61.826%	61.18%

Notes:

(i) Expected life was the expected remaining contractual life adjusted for suboptional factors applied in the valuation model.

(ii) The risk free rate is determined with reference to the Hong Kong Exchange Fund Note.

(iii) Expected volatility was estimated by calculating the historical weekly share price volatility of the share prices of the Company over 260 trading days.

31. DEFERRED REVENUE

	2011 HK$'000	2010 HK$'000
Arising from government grant (note)	**819**	—
Analysed for reporting purposes as:		
Current liabilities	**440**	—
Non-current liabilities	**379**	—
	819	—

Note: The deferred revenue arises as a result of the benefit received from a government loan bearing interest of 0.3% per annum during the year ended 31 December 2011 (see note 25). The revenue was offset against the research and development expenses of approximately HK$339,000 incurred in 2011.

32. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of acquisition of subsidiaries contracted but not provided in the consolidated financial statements (note)	**—**	400,000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	**23,448**	24,691

Note: The amount represents total consideration for the Acquisition which has been completed on 17 March 2011 and the commitment had been taken up for the year ended 31 December 2011, details of which has been set out in note 29.

33. OPERATING LEASE COMMITMENTS

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

	2011	2010
	HK$'000	HK$'000
Within one year	**679**	102
In the second to fifth year inclusive	**49**	85
	728	187

Leases are negotiated and monthly rentals are fixed for term of two years (2010: two years).

34. RETIREMENT BENEFITS SCHEMES

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group and the employees contributes 5% of relevant payroll costs to the scheme. The maximum monthly contribution by the Group is limited to HK$1,000 per employee while an employee can contribute more than HK$1,000 per month if the employee is willing to do so.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions for both years which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the consolidated statement of comprehensive income for the year, is HK$7,350,000 (2010: HK$4,106,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contribution for both years.

35. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged except that bank and other borrowings have been obtained by the Group, as set out in note 24.

The capital structure of the Group consists of debt balance and equity balance. Debt balance consists of bank and other borrowings, loan from government and convertible bonds liability. Equity balance consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

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

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**332,121**	529,370
Available-for-sale investments	**—**	10
Financial liabilities		
At amortised cost	**345,810**	161,439
At fair value	**—**	—

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, pledged deposits, trade and other payables and bank and other borrowings, loan from government and the debt component of convertible bonds issued by the Group. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the relevant group entities' foreign currency denominated monetary assets and monetary liabilities are as follows:

At 31 December 2011

	Monetary assets HK$'000	**Monetary liabilities HK$'000**	**Net exposure HK$'000**
United States dollars ("USD")	**33,825**	**3,620**	**30,205**

At 31 December 2010

	Monetary assets HK$'000	Monetary liabilities HK$'000	Net exposure HK$'000
USD	—	740	(740)
Euro	—	237	(237)

Sensitivity analysis

As HK$ is pegged with USD and the carrying amount of the Euro denominated liabilities are insignificant, the Group's currency risk in relation to foreign denominated monetary assets and monetary liabilities is expected to be minimal. Therefore, no sensitivity analysis is prepared at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (Continued)

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

(i) Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank and other borrowings, loan from government and convertible bonds liability carrying fixed-rate interest. The Group is also exposed to cash flow interest rate risk in relation to the Group's bank balances carrying variable-rate interest.

The Group is exposed to variable interest rate for its bank balances and pledged deposits. The directors do not expect there will be a significant interest rate adjustment in bank deposits, hence no sensitivity analysis is prepared at the end of the reporting period.

(ii) Credit risk

As at 31 December 2011, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group 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.

In order to manage its credit risk, 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. Credit sales of products are only made to customers with good repayment history. In addition, the Group reviews the recoverable amount of individual debt on an on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. Impairment loss of HK$3,599,000 (2010: HK$508,000) in respect of the trade receivables was recognised by the Group for the year.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation.

As at 31 December 2011, the Group had concentration of credit risk on its trade receivables as approximately 13% (2010: 10%) of trade receivables is due from third parties (2010: associates).

36. FINANCIAL INSTRUMENTS (Continued)

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

(iii) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

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

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	—	47,139	23,348	5,454	—	75,941	75,941
Bank and other borrowings	6.41–7.22	9,915	20,085	196,563	—	226,563	209,630
Loan from government	6.88	—	—	22	7,426	7,448	6,557
Convertible bonds	14	—	1,950	—	68,900	70,850	53,682
		57,054	45,383	202,039	76,326	380,802	345,810
2010							
Non-derivative financial liabilities							
Trade and other payables	—	23,793	2,312	170	—	26,275	26,275
Bank and other borrowings	10.21	—	—	—	152,500	152,500	135,164
		23,793	2,312	170	152,500	178,775	161,439

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements recognised in the statement of financial position — Group

The fair values 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 on active liquid markets are determined with reference to quoted market prices.
- 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 using prices from observable current market transactions and dealer quotes for similar instruments.

The following table provides an analysis of financial assets carried at fair value by level of fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: 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); and

Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

As at 31 December 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Liabilities				
Embedded derivatives	—	—	—	—

As at 31 December 2010, there was no financial liabilities measured at fair value.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

37. EVENT AFTER THE REPORTING DATE

(a) On 6 January 2012, the Group withdrew its offshore claims in respect of its production activities for years of assessment 2002/03 to 2009/10. On 17 February 2012, the Inland Revenue Department requested the Group to settle the corresponding additional tax payments HK$11,001,000 by the tax reserve certificates purchased by the Group in prior years.

(b) On 19 January 2012, the Group entered into agreement with Mezzo International Limited ("Mezzo International"), in respect of the disposals of its equity interests in Rookwood, including its subsidiaries and associates, namely Chemfield Trading Company Limited and CMW Holding Limited and its subsidiaries for a consideration of HK$154,000,000 (the "Transaction").

The Transaction constitutes a very substantial disposal under the Listing Rules and are subject to approval from the Company's independent shareholders, details of which have been set out in the Company's circular dated 15 March 2012.

An extraordinary general meeting will be held on 31 March 2012 for the approval from the independent shareholders by way of poll.

(c) On 13 February 2012, the Company proposes to raise approximately HK$102.32 million, before expenses, by way of an open offer of 136,430,000 offer shares at the subscription price of HK$0.75 per offer share on the basis of one offer share for every two shares held on 11 April 2012 and payable in full on acceptance. Subject to the satisfaction of the conditions of the open offer, the bonus shares will be issued to the first registered holders of the offer shares on the basis of eleven bonus shares for every one offer share taken up under the open offer ("Open Offer with Bonus Issue"), details of which have been set out in the Company's circular date 5 March 2012.

An extraordinary general meeting was held on 28 March 2012 and the Open Offer with Bonus Issue was approved by independent shareholders by way of poll.

38. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued share capital/ paid up registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2011	2010	2011	2010	
Rookwood Investments Limited	BVI/Hong Kong	US$10,000 Ordinary shares	**51%**	51%	**—**	—	Investment holding
Upflow Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	**—**	—	Provision of management services
Smart Million Limited	BVI/Hong Kong	US$1 Ordinary share	**100%**	100%	**—**	—	Investment holding
Pine Fame Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	**—**	—	Investment holding
Manfield Coatings Company Limited	Hong Kong	HK$1,000 Ordinary shares HK$32,000,000 Non-voting class A shares (note i)	**—**	—	**51%**	51%	Investment holding and trading in paints and related products
Manfield Chemical Limited	Hong Kong	HK$10,000 Ordinary shares	**—**	—	**51%**	51%	Investment holding
Springfield Chemical Company Limited	Hong Kong	HK$1 Ordinary shares	**—**	—	**51%**	51%	Investment holding
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Co, Ltd	PRC (note ii)	US$5,500,000 Paid-up registered capital	**—**	—	**51%**	51%	Manufacture of paints and trading in petrochemical and related products
廣州市彩輝化工有限公司 Champion Chemical (Guangzhou) Company Limited	PRC (note ii)	HK$3,000,000 Paid-up registered capital	**—**	—	**51%**	51%	Manufacture of paints and trading in petrochemical and related products
常州萬輝化工有限公司 Manfield Chemical (Changzhou) Limited	PRC (note ii)	HK$42,003,816 Paid-up registered capital	**—**	—	**41%** (note iii)	41%	Manufacture of paints and trading in petrochemical and related products
常州萬輝運輸有限公司 Changzhou Manfield Transportation Limited	PRC (note ii)	RMB1,500,000 Paid-up registered capital	**—**	—	**51%**	51%	Provision of transportation services
廣州源輝化工有限公司 Springfield Chemical (Guangzhou) Co. Ltd.	PRC (note ii)	HK$13,614,000 Paid-up registered capital	**—**	—	**51%**	51%	Properties holding
連雲港栢譽信息咨詢服務有限公司	PRC (note ii)	HK$773,887 Paid-up registered capital	**—**	—	**100%**	100%	Not yet commence business

38. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued share capital/ paid up registered capital	Attributable equity interest held by the Company Directly 2011	Directly 2010	Indirectly 2011	Indirectly 2010	Principal activities
Ace Winner Holdings Ltd	BVI/Hong Kong	US$100 Ordinary shares	**100%**	—	**—**	—	Investment holding
中國光電有限公司 China Opto Investment Ltd	Hong Kong	HK$10,000 Ordinary shares	**—**	—	**100%**	—	Investment holding
江蘇穩潤光電有限公司 Jiangsu Wenrun Optoelectronic Co Ltd	PRC (note iv)	RMB135,000,000 Paid-up registered capital	**—**	—	**69.44%**	—	Design, manufacturing and sale of LED and semi-conductor lighting related products
江蘇穩潤光電科技有限公司 Jiangsu Wenrun Optoelectronic Technology Co Ltd	PRC	RMB40,000,000 Paid-up registered capital	**—**	—	**69.44%**	—	Design, manufacturing and sale of LED and semi-conductor lighting related products
鎮江穩潤光電半導體照明工程有限公司 Zhejiang Wenrun Semi-conductor Technology Co Ltd	PRC	RMB5,000,000 Paid-up registered capital	**—**	—	**69.44%**	—	Design, manufacturing and sale of LED and semi-conductor lighting related products
上海煜極電子有限公司	PRC	RMB1,000,000 Paid-up registered capital	**—**	—	**100%**	—	Not yet commence business

Notes:

(i) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.

(ii) The companies are registered in the form of wholly foreign owned enterprises.

(iii) 80% equity interest of the company is indirectly held by Rookwood.

(iv) The company is registered in form of sino-foreign equity joint venture.

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

FINANCIAL SUMMARY

	Year ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
RESULTS					
Revenue	317,066	335,697	269,929	310,524	**456,232**
Profit for the year	23,226	14,904	68,424	63,586	**60,772**
Attributable to:					
Owners of the Company	24,535	4,376	37,810	24,950	**27,448**
Non-controlling interests	(1,309)	10,528	30,614	38,636	**33,324**
	23,226	14,904	68,424	63,586	**60,772**
Dividends	8.5 cents	—	—	—	**—**

	As at 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	590,179	565,734	623,636	827,546	**1,206,602**
Total liabilities	(56,438)	(29,439)	(41,776)	(187,802)	**(387,866)**
Shareholders' funds	533,741	536,295	581,860	639,744	**818,736**
Equity attributable to:					
Owners of the Company	400,227	391,168	405,970	435,907	**483,078**
Non-controlling interests	133,514	145,127	175,890	203,837	**335,658**
	533,741	536,295	581,860	639,744	**818,736**