GREEN INTERNATIONAL
Holdings Limited
格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2700)

ANNUAL REPORT 2012

formerly known as "Smart Union Group (Holdings) Limited"

Green International Holdings Limited
Annual Report 2012

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Man Keung *(Acting Chairman & Chief Executive Officer)*
Ms. Yang Jun
Mr. Chan Yin Tsung
Mr. Tung Yee Shing

NON-EXECUTIVE DIRECTOR

Ms. Leung Pui Kwan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Low Chin Sin

AUDIT COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Wu Hong

REMUNERATION COMMITTEE

Mr. Low Chin Sin *(Chairman)*
Mr. Yeung King Wah, Kenneth
Mr. Wong Man Keung

NOMINATION COMMITTEE

Mr. Wong Man Keung *(Chairman)*
Mr. Low Chin Sin
Mr. Yeung King Wah, Kenneth

COMPANY SECRETARY

Ms. Man Ching Yan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3007-08, 30/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

P. C. Woo & Co.
Room 1225, 12/F, Prince's Building
10 Chater Road
Central, Hong Kong

AUDITOR

Parker Randall CF (H.K.) CPA Limited
Room 2112, 21/F
North Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank, Ltd.
Hang Seng Bank Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P O Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.irasia.com/listco/hk/greeninternational/index.htm

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 02700
Listing date: 29 September 2006
Board lot: 20,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK$0.18
Market capitalisation as at the date of this annual report: approximately HK$162,700,000

KEY DATES

Date of Annual General Meeting: 18 June 2013

Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Green International Holdings Limited (the "Company"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

In 2012, the toy industry is still developing slowly. However, the Group has maintained stable growth in terms of business prospects and profitability. Although the Group foresees a decline in sales revenue due to the economic slowdown in Europe and the United States (the "U.S."), the Group expects an increase in sales from the Chinese and other Asian markets, which will allow a stable development of the Group's business.

2012 was an important year for the Group. The management team worked hard to realize the potential business development and achieved good results at the end of the year. In April 2012, the name of the Company was changed from Smart Union Group (Holdings) Limited to Green International Holdings Limited to refresh the Group's corporate image and identity, which will enhance the Group's future business development. In addition, the Group acquired 55% interests in Tai Cheng International Limited in May 2012 to expand the trading business and enhance the profitability of the Group. Besides, Green Capital (Hong Kong) Limited was incorporated in August 2012 to focus on potential investment business of the Group. The Group has met its target in 2012.

In 2013 and 2014, the Group will have new objectives for its development. With a new business direction, the Group plans to take on new projects to further expand its business operations and capture higher market shares. The Group expects the sales revenue for the years 2013 and 2014 will mainly derive from the growth in the Chinese and other Asian markets.

I am grateful to our shareholders and business partners for their continued support and my fellow Directors and colleagues for their dedication and commitment.

Wong Man Keung
Acting Chairman of the Board

Hong Kong, 26 March 2013

Business Review and Prospects

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting on 12 April 2012 and approved by the Registrar of Companies in the Cayman Islands on 24 April 2012, the name of the Company has been changed from "Smart Union Group (Holdings) Limited" to "Green International Holdings Limited" and the Chinese name of the Company has been changed from "合俊集團（控股）有限公司" to "格林國際控股有限公司".

OVERALL PERFORMANCE FOR THE YEAR

Total revenue of approximately HK$441,551,000 was recorded by the Group during the year ended 31 December 2012, as compared to approximately HK$572,267,000 for the year 2011. The drop in total revenue was due to the decline in orders from the European countries and the U.S. However, the gross profit and gross profit margin of the Group has remained strong as the Group has taken a new strategic angle in reshaping the business model.

The Group's gross profit was approximately HK$78,534,000 in 2012, as compared to approximately HK$73,268,000 in 2011, representing an increase of approximately HK$5,266,000; the gross profit margin has increased from 12.8% in 2011 to 17.8% in 2012. This was mainly attributable to the shift in business focus and the expansion of customer base. The management focuses on sales in the People's Republic of China (the "PRC") and has developed merchandise relating to animations and online games. The Group has kept close relationships with its strategic partners in the PRC and has continued to develop new products.

The profit for the year attributable to equity holders of the Company amounted to approximately HK$18,769,000 in 2012 whilst it was approximately HK$305,270,000 in 2011. Excluding the effect of a gain on group restructuring of approximately HK$300,248,000 in 2011, the profit for the year attributable to equity holders of the Company has increased by approximately 3.7 times. This was mainly attributable to a better gross profit margin as explained above.

The Group would also like to point out that the trade receivables ageing period may seem long. There are several reasons that contributed to this. The global economic condition has put strain on trading. This has also affected the Group's customers. In view of that, the Group extends the credit period to long time customers with good standing relationships. Despite the trade receivables ageing of the Group reflects a longer period when comparing to the industry standard practice of 90-120 days, the Directors are confident to have them collected in the years to come.

BUSINESS REVIEW

The Group has succeeded in decreasing its reliance on its three major customers, due to an expansion of customer base, the Group's sales attributable to the three major customers has decreased from 100% in 2011 to 83% in 2012.

The Group has acquired 55% equity interests in Tai Cheng International Limited in May 2012. Tai Cheng International Limited is principally engaged in the trading of toys. The acquisition provides an opportunity for the Group to expand its trading business and broaden its customer bases to different countries and regions.

Besides, the Group has established a wholly-owned subsidiary, Green Capital (Hong Kong) Limited to act as the principal investment arm of the Group.

The Group concentrated on business operation in 2012 and has also devoted resources in research and development for a long term business growth. The Group is also seeking cooperation and forming joint ventures with other prospective companies to expand its business.

Business Review and Prospects

BUSINESS PROSPECTS

As the European sovereignty debt crisis still lingers over the global markets, it is expected that the demand for our products and the order size from our customers will continue to labour under uncertainties. Considering that 2013 is likely another challenging year for toys industries worldwide, the management will keep circumspection, further enhance operation and production efficiency and impose more rigorous requirements on the quality of products.

At the same time that the Group strengthens the foundation of its business, it will actively diversify its customer base and carry on developing new products and technology in enhancement of product competitiveness and in expectation of larger market share when the economy improves and consumption demand rebounds.

Meanwhile, the goals of the Group remains to be simplification of work flow, enhancement of operation efficiency, the streamlining of production procedures through automation, improvement of production efficiency of its factories and the reduction of outgoings and transportation and administration costs, so as to bring greater returns to the shareholders as the profitability of the Group increases.

In the future, toys industries will face greater challenges. The management however believes that opportunities abound at the same time. Apart from our commitment to our established businesses, we will keep on integrating our business areas. The management will actively consider the possibilities of seeking further development, and by every possible means broaden our sources of revenue and avoid relying on a single business segment.

BUSINESS ENVIRONMENT FORECAST

Macro-Economic Environment of the Western Economy

Slow Economic Growth: Since the 2008 financial crisis, there has been a lack of clarity in the economy of the U.S. and Europe. In 2012, the debt crisis in Europe further drove the global economy to a decline, resulting in an unfavourable macro-economic and business environment. Job markets in Europe and the U.S. are not optimistic, consumer confidence is weak and consumer sentiment is low. At the same time, the global stock market is fluctuating and unstable. Although the Eurozone countries and the U.S. are taking steps to mitigate the problems at hand, the outlook of the world economy remains grim.

Consumer Trade Decline: The developed countries still have relatively less imports from the developing countries. The European countries and the U.S. launched a series of trading barriers such as tariffs to restrict and reduce imports from developing countries. On the retailer sector, market reports indicated that the sales of the U.S. toy retailing industry as a whole is in decline on a unit basis as compared to last year. As a whole, the Group expects uncertainties in the global economic environment to persist in 2013. The developing countries will be recovering slowly.

Despite the slowdown in the economy, management of the Group has made proactive strategies to strive in this situation. The first step is to explore more market opportunities in the PRC, by diversifying the business and developing a strong relationship with the PRC customers.

Business Review and Prospects

Macro-Economic Environment of the Chinese Economy

The Second Largest Economy: The GDP growth in the PRC dropped from 9.3% in 2011 to 7.8% in 2012. The 2012 GDP growth was the lowest since 1999. However, the PRC still maintains its position as the world's second largest economy and its GDP growth is still very high as compared to many developed countries or major developing countries in the world. This indicates the PRC has a huge market and consumer group.

Exchanges Rate Rising: The Chinese economy is also affected by the U.S. and European countries. Fluctuations in the exchange rates create risks for the Group. Appreciation in Renminbi leads to the decrease in international exports.

Exports in the PRC is declining because of the fluctuations in exchange rates, increase in costs and decrease in demand. Meanwhile, other statistics show that internal demand in the PRC is increasing. In light of that, the Group plans to expand its business in the PRC internal consumer market and at the same time, maintain the current revenue base in the Western economy.

Industry Analysis: Development Challenges

There are many external factors that would affect the business development plan in the PRC which include the following:

Costs Increase: Appreciation of Renminbi, increase in salaries, difficulties in labour recruitment, increase of production and material costs and the requirements of quality certification by the overseas countries are the major challenges for toys companies. Due to the rising costs, certain established European and American toys companies have transferred parts of their businesses from the PRC to Southeast Asian countries.

Export Difficulties: European and North American governments set lots of entry barriers to other foreign countries. Some developing countries also build trade barriers with export quota or licenses to limit toys importing from the PRC. Moreover, with the mounting pressure from Renminbi's appreciation, it is becoming increasingly difficult to derive profit from exports.

Decline in Demand: European and North American consumptions decrease due to the economic contraction. Toys export decreases with the decline in demand, which leads to decrease in total profit.

Industry Competition: The toys industry is becoming more competitive. The profit margin becomes lower and the new products have shorter life cycles. To stand out in this environment, the Group must focus on producing innovative and creative products as well as cost control.

Talents Shortage: There is a lack of independent research and development capabilities of the OEM toys companies and a lack of talents in design to support their research, development and innovative designs; meanwhile, a shortage of salespeople also decreases the effectiveness of marketing and sales.

Industry Trend: The Chinese traditional toys industry is heading downhill.

Business Review and Prospects

Industry Analysis: Future Development Trend

Government Support: The PRC government stated its support to the development of the cultural industry. Toys companies, of which the majority manufactures peripheral products in the downstream parts of the cultural industry, are also strongly supported and granted preferential policies by the government. This promotes the further development of the toys industry in the PRC market.

Industry Segments: The toys industry in the PRC will develop in different directions and become more differentiated and diversified in the future.

Brand Building: An increasing number of enterprises are building their own brands because the profit of ODM enterprises is generally three to five times higher than OEM enterprises. Enterprises with their own brands have independent research, development and design capability so that they can design a variety of popular products quickly according to market demand. Therefore, focus should be put on customer preferences during the building of brands. The government, the media and other social groups will give more attention to larger corporations.

Product Development: Products of the toys industry need more innovations and diversity to retain competitiveness. For example high-tech toys, toys from popular animations and online-games have huge potentials in the PRC market. Research shows that toys from the online-games segment have substantial development potentials. However, at the same time, the initial research and development costs of online-games are high and the cost recovery period is long. Thus, understanding of the market, detailed planning and strong support from the management are required for this segment to prosper.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group held cash and bank balances of approximately HK$37,475,000 (2011: HK$22,265,000). Net current assets amounted to approximately HK$165,354,000 (2011: HK$161,493,000). Current ratio (defined as total current assets divided by total current liabilities) was 1.85 times (2011: 1.51 times). The ratio of the Group's total liabilities to total assets was approximately 49.2% (2011: 78.3%). As detailed in Note 4.2 to the consolidated financial statements, as at 31 December 2012, the gearing ratio of the Group was 3.4% (2011: 28.5%) when it was calculated as net debt divided by total capital. As at 31 December 2012, the Group had outstanding borrowings of approximately HK$44,618,000 (2011: HK$64,137,000).

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risk, as most of the Group's assets and liabilities, revenue and expenditure are denominated in Renminbi, U.S. Dollars and Hong Kong Dollars. As at 31 December 2012, the Group had insignificant exposure to foreign exchange risk as substantially all sales and purchases transactions, recognised assets and liabilities were primarily denominated in U.S. Dollar, Hong Kong Dollar and Renminbi.

CAPITAL STRUCTURE

The Group has undergone the Group Restructuring during the year ended 31 December 2011 with details stated in Note 2 to the consolidated financial statements.

During the year ended 31 December 2012, certain of the Convertible Bonds with a total principal amount of HK$55,685,000 were converted into the shares of the Company at a conversion price of HK$0.185 per share and, accordingly, the Company issued and allotted a total of 301,000,000 shares to the Convertible Bond holders. Save as the disclosure herein and the granting of 65,800,000 share options to certain substantial shareholders, Directors and employees of the Group, there were no changes in the capital structure of the Company during the year.

Business Review and Prospects

CHARGES ON GROUP ASSETS

As at 31 December 2012, none of the Group's assets was pledged to secure any facilities or borrowings granted to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF ASSETS

The Group has undergone the Group Restructuring during the year ended 31 December 2011 with details stated in Note 2 to the consolidated financial statements. The assets and liabilities of the Group transferred to the Special Purpose Vehicle under the Scheme during the year ended 31 December 2011 were detailed in the Company's 2011 annual report.

During the year ended 31 December 2012, the Group acquired 55% equity interests in Tai Cheng International Limited, a company incorporated in Hong Kong with limited liability, at a consideration not in excess of HK$30,000,100, details of which are stated in Note 30 to the consolidated financial statements. Tai Cheng International Limited is principally engaged in the trading of toys. The acquisition provides an opportunity for the Group to expand its trading business and broaden its customer bases to different countries and regions.

COMMITMENTS AND CONTINGENT LIABILITIES

The Group's capital and operating lease commitments as at 31 December 2012 are detailed in Note 31 to the consolidated financial statements.

The Group did not have any contingent liabilities as at 31 December 2012.

EMPLOYEES AND REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate employees by linking their compensation to the Group's performance and benchmarking their compensation against corporate goals, so that the interests of the employees are in line with those of our shareholders.

As at 31 December 2012, the Group employed 145 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing its employees with adequate and regular trainings. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

Profile of Directors and Company Secretary

EXECUTIVE DIRECTORS

Mr. Wong Man Keung, aged 45, was appointed as an executive Director and Chief Executive Officer of the Company on 7 November 2011 and was appointed as Acting Chairman of the Company on 8 November 2012. He has over 25 years of experience in direct investment, commercial banking and manufacturing in the PRC. He has also served as the senior management member of various light and heavy manufacturing companies based in the PRC and overseen the finance and the production departments.

He was an investment manager in Million Base (China) Ltd from 2008 to 2011. Prior to that, he worked in the commercial banking division of a financial institution for approximately 15 years.

Ms. Yang Jun, aged 29, was appointed as an executive Director of the Company on 7 November 2011. She was previously the financial controller of GEV Investments (Hong Kong) Limited, managing the advisory service for valuation and strategic planning. She held various senior positions in financing and banking industry field. She performed as assistant manager in Citibank Singapore and senior financial analyst in Royal Bank of Scotland and in charge of Singapore, international and NRI business.

She holds a bachelor's degree of business (economics and finance) with high distinction awarded by RMIT University, Australia.

Mr. Chan Yin Tsung, aged 33, was appointed as an executive Director of the Company on 3 July 2012. He has over 9 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modeling and business valuation. From 2003 to 2010, he held various positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance, providing transaction advisory and audit services in the PRC and Hong Kong to various corporations. He joined the investment banking division of Essence International Financial Holdings Limited in October 2010 where he focused on advising clients in initial public offering. In August 2011, he joined the private equity department of the same company as a senior manager and he was responsible for investment projects' origination, analysis and execution. He is primarily responsible for formulating the Group's investment strategies.

He is a Certified Public Accountant certified under the American Institute of Certified Public Accountants. He holds a bachelor degree in business administration from The University of British Columbia and a master degree in finance from The Hong Kong University of Science and Technology.

Profile of Directors and Company Secretary

Mr. Tung Yee Shing, aged 38, was appointed as an executive Director of the Company on 7 November 2012. He has over 13 years of professional experience in financial management, merger and acquisitions and strategic planning. He was the Chief Financial Officer of Zhidao International Holdings Limited (stock code: 1220) ("Zhidao"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from January 2012 to October 2012, where he focused on financial and accounting management of the company and assisting the board in strategic planning. Before joining Zhidao as the Chief Financial Officer, he was a Vice President in a private consulting firm focusing on pre-IPO and M&A strategic consulting services. From 1999 to 2008, he worked for Deloitte Touche Tohmatsu, a global professional firm, mainly in its management consulting and corporate finance divisions, where he assisted various companies in their strategic planning, operational improvement and mergers and acquisitions.

He is a member of the Association of Chartered Certified Accountant and the Hong Kong Institute of Certified Public Accountants. He holds a master degree in business administration and a bachelor degree in social science (economics) from The Chinese University of Hong Kong.

NON-EXECUTIVE DIRECTOR

Ms. Leung Pui Kwan, aged 45, was appointed as a non-executive Director of the Company on 7 January 2013. She is currently a financial advisor of Tak Lee Metal Manufactory (HK) Co., Limited. She was an executive director of Taung Gold International Limited (formerly known as Wing Hing International (Holdings) Limited) ("Taung Gold") (stock code: 621), a company listed on the Main Board of the Stock Exchange, from 7 March 2008 to 31 August 2010 and was appointed as the chairman of Taung Gold from 6 January 2010 to 31 August 2010. She is also an MPF consultant and she has experiences in corporate finance, financial advisory, direct investments and asset management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung King Wah, **Kenneth**, aged 54, was appointed as an independent non-executive Director of the Company on 7 November 2011. He is the founder of Yeung and Co., Chartered Accountants, a firm of registered auditors based in the United Kingdom, and China Consulting Consortium Ltd.. He has over 20 years of experience in auditing, taxation, corporate finance, treasury, financial consulting and management gained from working in Europe and the Asia Pacific region. He is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Chartered Institute of Taxation in the United Kingdom and a full member of the Association of Corporate Treasurers in the United Kingdom. He was a director of EC Venture Ltd, Azure Management Consulting Ltd, ILS (Far East) Ltd, ILS (China) Ltd and Tendpress Ltd. He is currently a director of JP & M Asia Limited, K&M Nominees Ltd and China Consulting Consortium Ltd.

He was an independent non-executive director of Pizu Group Holdings Limited (formerly known as China Electric Power Technology Holdings Limited) (Stock code: 8053), a company listed on the Growth Enterprise Market of the Stock Exchange from 1 August 2007 to 14 December 2012 and was an independent non-executive director of eForce Holdings Limited (Stock code: 943), a company listed on the Main Board of the Stock Exchange from 3 July 2007 to 1 December 2011.

Profile of Directors and Company Secretary

Mr. Wu Hong, aged 53, was appointed as an independent non-executive Director of the Company on 7 November 2011. He is currently a professor and dean of College of Design of Shenzhen University in the PRC. He has over 18 years of experience in the field of design, and has worked in both the academic field and in commercial areas in the PRC.

Mr. Wu graduated from Chinese National Academy of Arts with a doctoral degree of art & design.

Mr. Low Chin Sin, aged 52, was appointed as an independent non-executive Director of the Company on 15 November 2012. He is the founder of Thico Ltd. He is currently the managing director of Thico Ltd., which is an importer and distributor of food supplements. He has over 20 years of experience in direct marketing business. He held a position as operation manager for YMM Sun Chlorella Malaysia Sdn. Bhd. from 1985 to 1986. He joined Win Win Direct Sales (HK) Ltd. as general manager from 1986 to 1989. He joined Media Master Holdings Limited as consultant from 2009 to 2010.

He graduated from The University of Windsor, Canada with bachelor of commerce (honor) in business administration.

COMPANY SECRETARY

Ms. Man Ching Yan, aged 32, was appointed as the company secretary of the Company on 7 November 2011. She holds a bachelor degree in economics and finance from The University of Hong Kong. She is the member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She is a Chartered Financial Analyst Charterholder and a member of Chartered Financial Analyst Institute and the Hong Kong Society of Financial Analysts Ltd.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. The Company has been in compliance with all code provisions set out in the CG Code for the year ended 31 December 2012, save for the deviations from code provisions A.2.1 and A.6.7 which were explained below.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has appointed Mr. Wong Man Keung, the chief executive officer of the Company, as the acting chairman of the Company, upon the resignation of Mr. Yang Wang Jian on 8 November 2012. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company, as the Board will meet regularly to consider major matters affecting the operations of the Group. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently until a suitable person is identified by the Board to be the chairman of the Company.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors did not attend an extraordinary general meeting held on 12 April 2012 and one independent non-executive Director did not attend the annual general meeting held on 1 June 2012 due to other work commitments. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meetings, so as to facilitate all Directors attending the Company's future general meetings.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Group and collectively responsible for promoting success of the Group by directing and supervising the Group's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management on behalf of the Group.

Specifically in relation to corporation governance function, the Board is responsible for the corporation governance function as a whole, and establishes an internal control group to be responsible for the specific operation. During the reporting period and up to the date of this report, the Board had performed the following duties:–

1. Developing and reviewing relevant corporate governance policy and practice of the Company;

2. Reviewing and inspecting continuous professional development and training of Directors and senior management;

3. Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions;

4. Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees; and

5. Reviewing that the Company being in compliance with the CG Code and corporate governance reporting requirements.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary, if and when required, with a view to ensure that the procedures are in compliance and all applicable rules and regulations are followed.

There are established procedures for Directors upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

The Company has arranged appropriate liability insurance for the Directors and the senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors from different business and professional fields. The Directors, including independent non-executive Directors, have brought a balance of valuable and diversified businesses and professional expertises, experiences and independent judgment to the Board for its efficient and effective management of the Group's business.

The Board of the Company during the year and up to the date of this report has comprised the following Directors:

Executive Directors

Mr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012*)
Mr. Wong Man Keung *(Acting Chairman & Chief Executive Officer)*
(appointed as Acting Chairman on 8 November 2012)
Mr. Zhu Pei Heng *(resigned on 7 November 2012)*
Ms. Yang Jun
Mr. Chan Yin Tsung *(appointed on 3 July 2012)*
Mr. Tung Yee Shing *(appointed on 7 November 2012)*

Non-Executive Directors

Mr. Jonathan Cheung *(appointed on 3 July 2012 and resigned on 7 January 2013)*
Ms. Leung Pui Kwan *(appointed on 7 January 2013)*

Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Wong Kwong Chung, James *(resigned on 15 November 2012)*
Mr. Low Chin Sin *(appointed on 15 November 2012)*

The profiles of each Director are set out in the "Profile of Directors and Company Secretary" section in this annual report.

Corporate Governance Report

Chairman and Chief Executive Officer

The key role of the Chairman is to provide leadership to the Board. In performing his duties, the Chairman shall ensure that the Board functions effectively in the discharge of its responsibilities. The Chairman also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Company and the Group.

The key role of the Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and the business of the Group. The duties of the Chief Executive Officer mainly include:

- providing leadership and supervising the effective management of the Group;
- monitoring and controlling the financial and operational performance of various divisions; and
- implementing the strategy and policies adopted by the Group, setting and implementing objectives and development plans.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors throughout the year, of whom Mr. Yeung King Wah, Kenneth has appropriate professional qualifications and related experiences in financial matters.

The Company has received written annual confirmation from each independent non-executive Director of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

Appointment and Re-election of Directors

The Board retains the functions for the selection and approval of candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's articles of association.

In accordance with the articles of association of the Company, any director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Any Director appointed by the Directors either to fill a casual vacancy on the Board or as an addition to the existing Board shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Induction and Continuous Professional Development for Directors

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

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are continually updated with legal and regulatory developments, business and market changes in order to discharge their responsibilities. During the year, the Company has arranged an in-house training in respect of the updates on recent changes on the Listing Rules to the Directors and the company secretary.

Starting from April 2012, all Directors are provided with monthly updates on the Company's performance, position and prospectus to enable the Board as a whole and each Director to discharge their duties.

Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the Group's financial statements. The financial statements for the year ended 31 December 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of the external auditor, Parker Randall CF (H.K.) CPA Limited, are set out in the Independent Auditor's Report on page 31.

BOARD AND COMMITTEE MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

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

Apart from the regular board meetings, the Board met on other occasions from time to time when a board-level decision on a particular matter was required.

Corporate Governance Report

Minutes of all Board meetings, recording sufficient details of matters considered and decisions reached, are kept by the secretary of the meetings, and are open for inspection by the Directors.

During the year, 33 Board meetings and 2 general meetings (an annual general meeting on 1 June 2012 and an extraordinary general meeting on 12 April 2012) were held and the individual attendance of each Director is set out below:

Director Name	Attendance of general meetings	Attendance of Board meetings
Executive Directors		
Mr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012)*	2/2	24/26
Mr. Wong Man Keung *(Acting Chairman & Chief Executive Officer) (appointed as Acting Chairman on 8 November 2012)*	2/2	32/33
Mr. Zhu Pei Heng *(resigned on 7 November 2012)*	0/2	22/26
Ms. Yang Jun	2/2	32/33
Mr. Chan Yin Tsung *(appointed on 3 July 2012)*	0/0	13/13
Mr. Tung Yee Shing *(appointed on 7 November 2012)*	0/0	7/7
Non-executive Directors		
Mr. Jonathan Cheung *(appointed on 3 July 2012 and resigned on 7 January 2013)*	0/0	13/13
Ms. Leung Pui Kwan *(appointed on 7 January 2013)*	0/0	0/0
Independent Non-executive Directors		
Mr. Yeung King Wah, Kenneth	1/2	32/33
Mr. Wu Hong	1/2	32/33
Mr. Wong Kwong Chung, James *(resigned on 15 November 2012)*	1/2	28/29
Mr. Low Chin Sin *(appointed on 15 November 2012)*	0/0	4/4

Board Committees

The Board has established 3 committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference.

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

Audit Committee

The Audit Committee comprises the three independent non-executive Directors of the Company, namely

Mr. Low Chin Sin *(Chairman) (appointed on 15 November 2012)*
Mr. Wong Kwong Chung, James *(Chairman) (resigned on 15 November 2012)*
Mr. Yeung King Wah, Kenneth
Mr. Wu Hong

None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(b) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;

(c) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit; and

(d) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

The Audit Committee performed the work during the year includes the following:

- reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the change of external auditors;
- reviewed the annual and interim financial reports of the Company as to whether they are in compliance with the accounting standards and relevant requirements in relation to financial reporting under the Listing Rules and other laws;
- reviewed the effectiveness of the internal control system of the Group and approved the internal control review manual of the Group; and
- reviewed the Group's accounting principles and practices, financial reporting and statutory compliance matters.

In 2012, the Audit Committee convened 3 meetings. Members and their attendance are as follows:

Director Name	**Attendance**
Mr. Low Chin Sin *(Chairman) (appointed on 15 November 2012)*	1/1
Mr. Wong Kwong Chung, James *(Chairman) (resigned on 15 November 2012)*	2/2
Mr. Yeung King Wah, Kenneth	3/3
Mr. Wu Hong	3/3

Remuneration Committee

The Remuneration Committee comprises the Acting Chairman and two independent non-executive Directors of the Company, namely

Mr. Low Chin Sin *(Chairman) (appointed on 15 November 2012)*
Mr. Wong Kwong Chung, James *(Chairman) (resigned on 15 November 2012)*
Mr. Yang Wang Jian *(resigned on 8 November 2012)*
Mr. Wong Man Keung *(appointed on 8 November 2012)*
Mr. Yeung King Wah, Kenneth

The main duties of the Remuneration Committee include the followings:

(a) To review, recommend and approve the remuneration policy and structure and remuneration packages of the executive Directors and the senior management;

(b) To review, recommend and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(c) To review, recommend and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(d) To establish transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

The Remuneration Committee performed the work during the year includes the following:

- reviewed the remuneration policy for the Directors and senior management;
- reviewed and approved the remuneration package of each Director and the company secretary including bonus payment, pension right and compensation payable; and
- approved the forms of the service agreement for each executive Director and the appointment letter for each non-executive Director and independent non-executive Director.

In 2012, the Remuneration Committee convened 6 meetings. Members and their attendance are as follows:

Director Name	**Attendance**
Mr. Low Chin Sin *(Chairman) (appointed on 15 November 2012)*	0/0
Mr. Wong Kwong Chung, James *(Chairman) (resigned on 15 November 2012)*	6/6
Mr. Yang Wang Jian *(resigned on 8 November 2012)*	5/5
Mr. Wong Man Keung *(appointed on 8 November 2012)*	1/1
Mr. Yeung King Wah, Kenneth	6/6

Nomination Committee

The Nomination Committee comprises the Acting Chairman and two independent non-executive Directors of the Company, namely

Mr. Wong Man Keung *(Chairman) (appointed on 8 November 2012)*
Mr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012)*
Mr. Yeung King Wah, Kenneth
Mr. Wong Kwong Chung, James *(resigned on 15 November 2012)*
Mr. Low Chin Sin *(appointed on 15 November 2012)*

The main duties of the Nomination Committee include the followings:

(a) To review the criteria and procedures of selection of Directors and senior management members, and provide suggestions;

(b) To conduct extensive search for qualified candidates of Directors and senior management members; and

(c) To access the candidates for Directors and senior management members and provide the relevant recommendations.

Nomination procedures and the process and criteria adopted by the Nomination Committee include the followings:

- in considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, skill, knowledge, working experience, leadership and professional ethics of the individual;
- 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
- assess the independence of independent non-executive Directors.

In 2012, the Nomination Committee convened 3 meetings. Members and their attendance are as follows:

Director Name	**Attendance**
Mr. Wong Man Keung *(Chairman) (appointed on 8 November 2012)*	1/1
Mr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012)*	2/2
Mr. Yeung King Wah, Kenneth	3/3
Mr. Wong Kwong Chung, James *(resigned on 15 November 2012)*	3/3
Mr. Low Chin Sin *(appointed on 15 November 2012)*	0/0

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

During the year, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have confirmed their compliance with the required standard as set out in the Model Code during the year.

AUDITOR'S REMUNERATION

Parker Randall CF (H.K.) CPA Limited has been appointed as the Company's external auditor in 2012.

PricewaterhouseCoopers was the external auditor of the Company from 2006 to 2011.

The Audit Committee has been notified of the nature and service charges of the non-audit services to be performed by Parker Randall CF (H.K.) CPA Limited and considered that such services have no adverse effect on the independence of their audit works.

Corporate Governance Report

A summary of audit and non-audit services provided by the external auditor for the year ended 31 December 2012 and their corresponding remunerations are as follows:

Nature of services	*Note*	**Amount** *HK$'000*
Audit services for the year ended 31 December 2012	22	600

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Group and in reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal control system continuously, which covers financial, operational, compliance controls as well as risk management function, in order to cope with the changing business environment.

SHAREHOLDERS' RIGHTS

Article 58 of the Company's articles of association state that shareholders holding not less than one-tenth of the Group's paid-up capital carrying voting rights shall at all times have the right to requisition an extraordinary general meeting to discuss specified business transactions. To request the convening of a meeting, individuals must send a written notice to the Board or the secretary of the Company for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

If shareholders would like to make a request to include a resolution in the annual general meeting, they are requested to follow the requirements and procedures as set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Shareholder(s) holding not less than one-fortieth of the total voting rights or not less than 50 shareholders, may at their expense, unless the Company otherwise resolves, propose any resolution at any general meeting. A written notice to that effect signed by the requisitionists together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the Company's principal place of business in Hong Kong at Suite 3007-08, 30/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong (addressed to the company secretary) not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder in such proposal.

Shareholders and other stakeholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company's address at Suite 3007-08, 30/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong (addressed to the company secretary).

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of continuing communications with the Company's shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports.

The Company's registrars serve the shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Board members and management of the Company are available to answer shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all shareholders at least 20 clear business days before the annual general meeting.

All shareholders' communications, including interim and annual reports, announcements and press releases as well as the shareholders communication policy and the procedures for the election of directors by shareholder are available on the Company's website at www.irasia.com/listco/hk/greeninternational/. The latest business developments and core strategies of the Company can also be found on the website, keeping the communications with investors open and transparent.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2169 0813 during normal business hours, by fax at (852) 2169 0663 or by e-mail at ir@green-international.com.

Report of the Directors

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities and other particulars of its principal subsidiaries are set out in Note 9 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Group and the Company at that date are set out on pages 32 to 88. The Directors do not recommend the payment of any dividend in respect of the year.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 15 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity on page 37 of this annual report and Note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company had the following distributable reserves which may be applied to pay up unissued shares to be issued to shareholders of the Company as fully paid bonus shares subject to relevant laws and regulations:

	HK$'000
Share premium	143,588
Accumulated losses	(99,492)
	44,096

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 8 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds (the "Convertible Bonds") issued by the Company are set out in Note 17 to the consolidated financial statements.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five financial years are set out on pages 89 to 90 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase any of such shares during the year.

DIRECTORS

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

Executive Directors

Mr. Yang Wang Jian *(Chairman) (resigned on 8 November 2012)*
Mr. Wong Man Keung *(Acting Chairman & Chief Executive Officer)*
(appointed as Acting Chairman on 8 November 2012)
Mr. Zhu Pei Heng *(resigned on 7 November 2012)*
Ms. Yang Jun
Mr. Chan Yin Tsung *(appointed on 3 July 2012)*
Mr. Tung Yee Shing *(appointed on 7 November 2012)*

Non-executive Directors

Mr. Jonathan Cheung *(appointed on 3 July 2012 and resigned on 7 January 2013)*
Ms. Leung Pui Kwan *(appointed on 7 January 2013)*

Independent Non-executive Directors

Mr. Yeung King Wah, Kenneth
Mr. Wu Hong
Mr. Wong Kwong Chung, James *(resigned on 15 November 2012)*
Mr. Low Chin Sin *(appointed on 15 November 2012)*

In accordance with the Company's articles of association, Mr. Wong Man Keung, Mr. Chan Yin Tsung, Mr. Tung Yee Shing, Mr. Yeung King Wah, Kenneth, Mr. Low Chin Sin and Ms. Leung Pui Kwan are required to retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out on pages 9 to 11 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Man Keung and Ms. Yang Jun, the executive Directors of the Company, has entered into a service agreement with the Company for a period of three years commencing 7 November 2011 which could be terminated by either party giving to the other not less than three months' written notice.

Mr. Chan Yin Tsung, an executive Director of the Company, has entered into a service agreement with the Company for a period of three years commencing 3 July 2012 which could be terminated by either party giving to the other not less than three months' written notice.

Mr. Tung Yee Shing, an executive Director of the Company, has entered into a service agreement with the Company for a period of one year commencing 7 November 2012 which could be terminated by either party giving to the other not less than three months' written notice.

Each of Mr. Yeung King Wah, Kenneth and Mr. Wu Hong, the independent non-executive Directors of the Company, has entered into a letter of appointment with the Company for a period of one year commencing 7 November 2012 which could be terminated by either party giving to the other not less than three months' written notice.

Mr. Low Chin Sin, an independent non-executive Director of the Company, has entered into a letter of appointment with the Company for a period of one year commencing 15 November 2012 which could be terminated by either party giving to the other not less than three months' written notice.

Ms. Leung Pui Kwan, a non-executive Director of the Company, has entered into a letter of appointment with the Company for a period of one year commencing 7 January 2013 which could be terminated by either party giving to the other not less than three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 32 to the consolidated financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Note 32 to the consolidated financial statements, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTIONS

The transactions as set out in Note 32 to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As far as the transactions set out in Note 25(a) to the consolidated financial statements are concerned, the remuneration of the Directors as determined pursuant to the service contracts/letters of appointment entered into between the Directors and the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors is considered to have interests in the businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES

At 31 December 2012, the interests or short positions of the Directors and chief executives of the Company or their respective associates (as defined under the Listing Rules) had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "Register") referred to therein, or (c) which were required, pursuant to the Code of Practice for Securities Transaction by Directors and designated employees adopted by the Company, to be notified to the Company and the Stock Exchange, were are follows:

The Company

(a) Long positions in underlying shares

Name of Director	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Mr. Wong Man Keung *(Note i)*	Beneficial owner	9,000,000	1.00%
Ms. Yang Jun *(Note i)*	Beneficial owner	6,000,000	0.66%

Notes:

(i) These are the shares of the Company which may be issued upon full exercise of the share options granted to the respective Directors of the Company on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(ii) The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, none of the Directors nor chief executives of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section below and in Note 15(b) to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2012, so far as it is known by or otherwise notified by any Director or chief executives of the Company, the particulars of the corporations or persons who had 5% or more interests in the following long positions in the shares and underlying shares as recorded in the Register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

The Company

(a) Long positions in shares

Name of substantial shareholder	Capacity in which the shares are held	Number of shares held	Approximate percentage of total issued shares
Gold Bless International Invest Limited *(Note i and ii)*	Beneficial owner	673,220,000	74.47%
Mr. Yang Wang Jian *(Note i)*	Interest of controlled corporations	673,220,000	74.47%
Vigorous Wealth Investment Limited *(Note ii)*	Security interest	600,000,000	66.37%
Dragon Legend Investments Limited *(Note iii)*	Beneficial owner	54,020,000	5.98%
Asian Capital Holdings Limited *(Note iii)*	Interest of controlled corporations	54,020,000	5.98%
Master Link Assets Limited *(Note iii)*	Interest of controlled corporations	54,020,000	5.98%
Mr. Yeung Kai Cheung Patrick *(Note iii)*	Interest of controlled corporations	54,020,000	5.98%

Notes:

(i) The shares are beneficially owned by Gold Bless International Invest Limited ("Gold Bless"), a company of which 85% of its share capital is owned by Mr. Yang Wang Jian ("Mr. Yang") and therefore, Mr. Yang is deemed to be interested in such shares pursuant to Part XV of the SFO.

(ii) Pursuant to a loan facility agreement (the "Loan Agreement") entered into between Gold Bless and Vigorous Wealth Investment Limited ("Vigorous Wealth") on 27 December 2012, 600,000,000 shares of the Company owned by Gold Bless have been charged to Vigorous Wealth as security for the performance of Gold Bless's obligations under the Loan Agreement.

(iii) The shares are beneficially owned by Dragon Legend Investments Limited, which is 100% owned by Asian Capital Holdings Limited ("Asian Capital"), a company of which 43.75% of its share capital is owned by Master Link Assets Limited ("Master Link"), a company which is 100% owned by Mr. Yeung Kai Cheung Patrick ("Mr. Yeung") and therefore, Asian Capital, Master Link and Mr. Yeung are deemed to be interested in such shares pursuant to Part XV of the SFO.

(b) Long positions in underlying shares

Name of substantial shareholder	Capacity in which the underlying shares are held	Interest in the underlying shares	Approximate percentage of total issued shares
Gold Bless International Invest Limited *(Note i)*	Beneficial owner	124,000,000	13.72%
Mr. Yang Wang Jian *(Note i)*	Interest of controlled corporations	124,000,000	13.72%
(Note ii)	Beneficial owner	9,000,000	1.00%
Hong Kong Tai Shing Toys Trading Limited *(Note iii)*	Beneficial owner	60,000,000	6.64%
Fang Bai Jin *(Note iii)*	Interest of controlled corporations	60,000,000	6.64%
(Note ii)	Beneficial owner	9,000,000	1.00%
Dragon Legend Investments Limited *(Note iv)*	Beneficial owner	8,000,000	0.88%
Asian Capital Holdings Limited *(Note iv)*	Interest of controlled corporations	8,000,000	0.88%
Master Link Assets Limited *(Note iv)*	Interest of controlled corporations	8,000,000	0.88%
Mr. Yeung Kai Cheung Patrick *(Note iv)*	Interest of controlled corporations	8,000,000	0.88%

Notes:

(i) These are the shares of the Company which may be issued upon full exercise of the conversion rights attaching to the Convertible Bonds (detailed in Note 17 to the consolidated financial statements) held by Gold Bless, a company of which 85% of its share capital is owned by Mr. Yang and therefore, Mr. Yang is deemed to be interested in such shares pursuant to Part XV of the SFO.

(ii) These are the shares of the Company which may be issued upon full exercise of the share options granted to the respective substantial shareholders and Directors by the Company on 11 May 2012. Further details of the share options granted are stated in the section headed "Share Option Scheme" below.

(iii) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Tai Cheng CB (detailed in Note 30 to the consolidated financial statements) held by Hong Kong Tai Shing Toys Trading Limited, a company which is 100% owned by Mr. Fang Bai Jin ("Mr. Fang") and therefore, Mr. Fang is deemed to be interested in such shares pursuant to Part XV of the SFO.

(iv) These are the shares of the Company which may be issued upon full exercise of the conversion rights attached to the Convertible Bonds (detailed in Note 17 to the consolidated financial statements) held by Dragon Legend Investments Limited, which is 100% owned by Asian Capital, a company of which 43.75% of its share capital is owned by Master Link, a company which is 100% owned by Mr. Yeung and therefore, Asian Capital, Master Link and Mr. Yeung are deemed to be interested in such shares pursuant to Part XV of the SFO.

(v) The percentage is calculated based on the total number of issued shares of the Company as at 31 December 2012.

Report of the Directors

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2012, had the Voting Entitlements or any interests or short positions in the Shares or underlying shares as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 92.4% and the largest customer accounted for approximately 37.8% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 97.1% and the largest suppliers accounted for approximately 76.3% of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued Shares) had an interest in the five largest suppliers or customers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the sufficiency of public float requirement under the Listing Rules at any time during the year and as at the date of this annual report.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders of the Company, under which, the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme.

On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

Report of the Directors

The movements in share options during the year are as follows:

Name of grantee	Exercise price *HK$*	Exercisable period	As at 1 January 2012	Granted during the year	Exercised/ lapsed during the year	As at 31 December 2012
Directors and/or substantial shareholders						
Mr. Yang Wang Jian	0.37	11.5.2012 to 10.5.2022	–	9,000,000	–	9,000,000
Mr. Wong Man Keung	0.37	11.5.2012 to 10.5.2022	–	9,000,000	–	9,000,000
Ms. Yang Jun	0.37	11.5.2012 to 10.5.2022	–	6,000,000	–	6,000,000
Mr. Fang Bai Jin	0.37	11.5.2012 to 10.5.2022	–	9,000,000	–	9,000,000
Other persons	0.37	11.5.2012 to 10.5.2022	–	32,800,000	–	32,800,000
			–	65,800,000	–	65,800,000

PENSION SCHEME ARRANGEMENTS

The subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme of the Group set up in accordance with the Hong Kong Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,250 per month (HK$1,000 prior to June 2012) and they may choose to make additional contributions. The employer's monthly contribution is at the rate of 5% of each employee's monthly salary up to the maximum limit of HK$1,250 (HK$1,000 prior to June 2012).

The subsidiaries operating in the PRC are required to participate in a defined contribution retirement scheme organised by the relevant local government authorities since incorporation.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 12 to 21 of this annual report.

Report of the Directors

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing an annual confirmation of his independence and the Company considers all the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The financial statements for the years ended 31 December 2006 to 2011 were audited by PricewaterhouseCoopers.

Parker Randall CF (H.K.) CPA Limited has been appointed as the Company's external auditor since 2012 until the conclusion of the next annual general meeting. A resolution for the re-appointment of Parker Randall CF (H.K.) CPA Limited as independent auditor of the Company will be proposed at the annual general meeting in 2013.

On behalf of the Board
Wong Man Keung
Acting Chairman

Hong Kong, 26 March 2013

Independent Auditor's Report

TO THE SHAREHOLDERS OF GREEN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Green International Holdings Limited (formerly known as Smart Union Group (Holdings) Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 32 to 88, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate No.: P05229

Hong Kong
26 March 2013

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Intangible assets	7	**31,446**	1,581
Property, plant and equipment	8	**3,577**	3,700
		35,023	5,281
Current assets			
Inventories	10	**3,904**	2,945
Trade receivables	12	**301,403**	451,526
Prepayments, deposits and other receivables	13	**16,624**	1,500
Cash and cash equivalents	14	**37,475**	22,265
		359,406	478,236
Total assets		**394,429**	483,517

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**9,040**	6,030
Share premium	16(a)	**143,588**	90,721
Other reserves	16(a)	**35,343**	17,765
Retained earnings/(accumulated losses)	16(a)	**9,190**	(9,579)
		197,161	104,937
Non-controlling interests		**3,216**	–
Total equity		**200,377**	104,937
LIABILITIES			
Non-current liabilities			
Convertible bonds	17	**–**	61,837
Current liabilities			
Trade payables	18	**75,979**	281,713
Contingent consideration payable	30	**14,761**	–
Other payables, accruals and deposits received	19	**31,390**	17,145
Convertible bonds	17	**22,143**	–
Amount due to the controlling shareholder	32(c)	**22,475**	2,300
Amount due to a non-controlling shareholder of a subsidiary		**215**	–
Tax payable		**27,089**	15,585
		194,052	316,743
Total liabilities		**194,052**	378,580
Total equity and liabilities		**394,429**	483,517
Net current assets		**165,354**	161,493
Total assets less current liabilities		**200,377**	166,774

On behalf of the Board

Wong Man Keung
Director

Yang Jun
Director

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*9*	**–**	–
Current assets			
Prepayments, deposits and other receivables	*13*	**1,306**	1,069
Amount due from a subsidiary	*32(d)*	**92,691**	85,000
Cash and cash equivalents	*14*	**349**	12,601
		94,346	98,670
Total assets		**94,346**	98,670
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*15*	**9,040**	6,030
Share premium	*16(b)*	**143,588**	90,721
Other reserves	*16(b)*	**18,852**	17,765
Accumulated losses	*16(b)*	**(99,492)**	(77,746)
Total equity		**71,988**	36,770
LIABILITIES			
Non-current liabilities			
Convertible bonds	*17*	**–**	61,837
Current liabilities			
Other payables and accruals	*19*	**215**	63
Convertible bonds	*17*	**22,143**	–
		22,358	63
Total liabilities		**22,358**	61,900
Total equity and liabilities		**94,346**	98,670
Net current assets		**71,988**	98,607
Total assets less current liabilities		**71,988**	98,607

On behalf of the Board

Wong Man Keung
Director

Yang Jun
Director

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Revenue	*6 & 20*	**441,551**	572,267
Cost of sales	*22*	**(363,017)**	(498,999)
Gross profit		**78,534**	73,268
Other income	*21*	**994**	2,979
Other gains	*21*	**–**	300,248
Selling expenses	*22*	**(1,385)**	(5,553)
Administrative expenses	*22*	**(36,304)**	(33,230)
Provision for financial guarantees to an unconsolidated subsidiary		**–**	(16,710)
Operating profit		**41,839**	321,002
Finance costs, net	*23*	**(7,790)**	(5,529)
Profit before income tax		**34,049**	315,473
Income tax expense	*24*	**(12,145)**	(10,203)
Profit for the year		**21,904**	305,270
Profit for the year attributable to:			
– Equity holders of the Company		**18,769**	305,270
– Non-controlling interests		**3,135**	–
		21,904	305,270
Earnings per share for profit attributable to equity holders of the Company during the year			
– Basic *(HK cents)*	*27*	**2.29**	192.1
– Diluted *(HK cents)*	*27*	**2.29**	135.6

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.
Dividends payable to equity holders of the Company are set out in Note 28.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year	**21,904**	305,270
Other comprehensive income, net of tax		
Translation of foreign currency financial statements	**(358)**	–
Total comprehensive income for the year	**21,546**	305,270
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**18,527**	305,270
– Non-controlling interests	**3,019**	–
	21,546	305,270

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2011	55,259	368,381	30,474	(768,134)	(314,020)	–	(314,020)
Total comprehensive income for the year							
Profit for the year	–	–	–	305,270	305,270	–	305,270
Transactions with owners							
Share consolidation and capital reduction *(Note 2(a)(i), 2(a)(ii) & 15(a)(i))*	(54,430)	–	–	54,430	–	–	–
Share premium cancellation *(Note 2(a)(iv))*	–	(368,381)	–	368,381	–	–	–
Issue of new shares *(Note 2(b), 2(c), 2(e)(ii) & 15(a)(ii))*	4,931	86,147	–	–	91,078	–	91,078
Issue of convertible bonds *(Note 2(d) & 17)*	–	–	18,872	–	18,872	–	18,872
Issue of shares on conversion of convertible bonds *(Note 15(a)(iii))*	270	4,574	(1,107)	–	3,737	–	3,737
Transfer of merger reserve upon completion of the Group Restructuring *(Note 2(e)(iii))*	–	–	(29,107)	29,107	–	–	–
Transfer to accumulated losses upon lapse of share options *(Note 15(b)(ii))*	–	–	(1,367)	1,367	–	–	–
	(49,229)	(277,660)	(12,709)	453,285	113,687	–	113,687
Balance at 31 December 2011	**6,030**	**90,721**	**17,765**	**(9,579)**	**104,937**	**–**	**104,937**
Total comprehensive income for the year							
Profit for the year	**–**	**–**	**–**	**18,769**	**18,769**	**3,135**	**21,904**
Translation of foreign currency financial statements	**–**	**–**	**(242)**	**–**	**(242)**	**(116)**	**(358)**
	–	**–**	**(242)**	**18,769**	**18,527**	**3,019**	**21,546**
Transactions with owners							
Issue of shares on conversion of convertible bonds *(Note 15(a)(iv))*	**3,010**	**52,867**	**(12,349)**	**–**	**43,528**	**–**	**43,528**
Acquisition of a subsidiary *(Note 30)*	**–**	**–**	**16,733**	**–**	**16,733**	**197**	**16,930**
Issue of share options *(Note 15(b)(iii))*	**–**	**–**	**13,436**	**–**	**13,436**	**–**	**13,436**
	3,010	**52,867**	**17,820**	**–**	**73,697**	**197**	**73,894**
Balance at 31 December 2012	**9,040**	**143,588**	**35,343**	**9,190**	**197,161**	**3,216**	**200,377**

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash used in operations	*29*	**(479)**	(21,989)
Profits tax (paid)/refunded		**(641)**	8
Net cash used in operating activities		**(1,120)**	(21,981)
Cash flows from investing activities			
Purchase of property, plant and equipment	*8*	**(900)**	(601)
Interest received		**4**	1
Net cash inflow/(outflow) on acquisition of a subsidiary	*30*	**210**	(2,248)
Net cash outflow on Group Restructuring		**–**	(16,684)
Net cash used in investing activities		**(686)**	(19,532)
Cash flows from financing activities			
Increase in amount due to the controlling shareholder		**20,175**	2,300
Interest paid		**(2,466)**	–
Net proceeds from Group Restructuring and issue of convertible bonds and shares		**–**	45,317
Net cash generated from financing activities		**17,709**	47,617
Net increase in cash and cash equivalents		**15,903**	6,104
Cash and cash equivalents at 1 January		**22,265**	16,161
Effects of exchange rate changes on the balances of cash held in foreign currencies		**(693)**	–
Cash and cash equivalents at 31 December	*14*	**37,475**	22,265

The notes on pages 39 to 88 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Pursuant to a special resolution passed by the shareholders at an extraordinary general meeting held on 12 April 2012 and approved by the Registrar of Companies in the Cayman Islands on 24 April 2012, the name of the Company has been changed from Smart Union Group (Holdings) Limited to Green International Holdings Limited.

The shares of the Company were listed on the Main Board of the Stock Exchange in 2006.

The Group was principally engaged in manufacturing and trading of recreational and educational toys and equipment.

The Directors regard Gold Bless International Invest Limited ("Gold Bless"), a company incorporated in the British Virgin Islands, as being the immediate and ultimate holding company.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), and all values are rounded to the nearest thousand unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of the Company on 26 March 2013.

2 GROUP RESTRUCTURING, DISMISSAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS IN PRIOR YEAR

In October 2008, the Group found difficulties in meeting its short-term debts. The Directors resolved to apply for winding-up petitions for the Company and certain of its subsidiaries and apply to the High Court of Hong Kong (the "High Court") for the appointment of provisional liquidators in order to protect the assets of the Group and to safeguard the interests of both the creditors and the shareholders.

As a result of the applications, Messrs. John Robert Lees and Mat Ng were appointed as the joint and several provisional liquidators of the Company ("Provisional Liquidators") and certain of its subsidiaries by the orders of the High Court subsequently.

2 GROUP RESTRUCTURING, DISMISSAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS IN PRIOR YEAR *(Continued)*

On 12 May 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into among the Company, Gold Bless, Mr. Yang Wang Jian ("Mr Yang"), Mr. Ting Wai-min ("Mr Ting"), and the Provisional Liquidators to grant Gold Bless a six-month exclusivity period to prepare a resumption proposal and to negotiate in good faith and enter into a legally binding agreement for the implementation of restructuring proposal in connection with the restructuring of the Company which was subsequently extended to 31 December 2010.

On 31 December 2010, the Company, the Provisional Liquidators, Gold Bless, Mr. Yang and Mr. Ting entered into a restructuring agreement which was subsequently supplemented by entering of two other supplemental agreements in May and June 2011, respectively (collectively the "Restructuring Agreements"). The Restructuring Agreements contemplated, among other things, the following:

(a) Capital restructuring

The capital structure of the Company had been restructured (the "Capital Restructuring") as follows:

(i) a share consolidation (the "Share Consolidation") of every twenty existing shares of HK$0.10 each into three consolidated shares (the "Consolidated Shares") of HK$0.67 each;

(ii) the reduction of capital (the "Capital Reduction") upon the Share Consolidation becoming effective, by reducing the nominal value of the Consolidated Shares from HK$0.67 each to HK$0.01 each (the "New Shares");

(iii) the cancellation of all unissued authorised share capital of HK$0.10 each and the increase of the authorised share capital to HK$40,000,000, divided into 4,000,000,000 New Shares of HK$0.01 each;

(iv) upon the Capital Reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company had been cancelled (the "Share Premium Cancellation"). The credit arising from the Share Premium Cancellation had been applied to set off part of the accumulated losses of the Company as at 31 December 2010; and

(v) any rights arising under the existing convertible securities had been cancelled.

(b) Subscription of shares ("Subscription Shares")

432,000,000 Subscription Shares was subscribed by Gold Bless at a subscription price of HK$0.185 per New Share.

2 GROUP RESTRUCTURING, DISMISSAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS IN PRIOR YEAR *(Continued)*

(c) Placing of placing shares ("Placing Shares")

The placing of 27,020,000 Placing Shares by the placing agent at HK$0.185 per New Share.

(d) Placing of convertible bonds ("Convertible Bonds")

The placing of an aggregate principal amount of HK$85,100,000 Convertible Bonds of which up to HK$63,825,000 in aggregate principal amount had been placed to Gold Bless. The holders of the Convertible Bonds are entitled to convert the Convertible Bonds into the New Shares of the Company at a conversion price of HK$0.185 per New Share within a period of two years.

(e) Scheme and group restructuring (the "Group Restructuring")

Pursuant to the terms of the Restructuring Agreements, all the debts, obligations and liabilities of the Company, whether known or unknown, whether certain or contingent, whether present, future or prospective, of the creditors (the "Scheme Creditors") had been compromised and discharged by the arrangements on completion as contemplated under the scheme of arrangement (the "Scheme") made between the Company and the Scheme Creditors pursuant to section 166 of the Companies Ordinance, which included, among other things, the following:

(i) The payment of a sum of HK$50,000,000 less any costs of the Scheme, out of the subscription, by the Provisional Liquidators for and on behalf of the Company to the scheme administrators for the benefit of the Scheme Creditors;

(ii) The issue and allotment of 34,100,000 New Shares by the Company to the Provisional Liquidators or the scheme administrators for the benefit of the Scheme Creditors; and

(iii) Immediately prior to the Scheme taking effect, all the assets of the Company and its subsidiaries (other than the shareholding in and the assets of Sino Front Limited and its subsidiaries) (the "Excluded Companies") including but not limited to all cash and cash equivalents held by the Company, all intercompany receivables, all causes of actions and claims which the Company has had against any person whether or not known to the Company as at the date when the Scheme took effect and the Excluded Companies had been transferred to a special purpose vehicle (the "Special Purpose Vehicle") controlled by the scheme administrators for the benefit of the Scheme Creditors.

The independent shareholders of the Company had resolved and approved all of the transactions contemplated under the Restructuring Agreements in an extraordinary general meeting held on 16 September 2011.

The Capital Reduction was heard and sanctioned by the Grand Court of the Cayman Islands on 27 October 2011 (Cayman Islands time) whilst the Scheme was sanctioned by the High Court on 31 October 2011. The Capital Restructuring, the Scheme and Group Restructuring were properly implemented as of 7 November 2011.

2 GROUP RESTRUCTURING, DISMISSAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS IN PRIOR YEAR *(Continued)*

(e) Scheme and group restructuring (the "Group Restructuring") *(Continued)*

The High Court order for the dismissal of the winding up order against the Company and the discharge of the Provisional Liquidators was granted on 7 November 2011. The Provisional Liquidators were released and discharged with effect from 7 November 2011 accordingly.

Pursuant the Company's announcement dated 8 November 2011, the Capital Restructuring scheme has been completed and the effect of the Capital Restructuring has been reflected in the consolidated financial statements for the year ended 31 December 2011.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3.2 Application of new standards, amendments and interpretations

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards have been adopted by the Group.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The adoption of these revised HKFRSs has had no significant impact on these consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Application of new standards, amendments and interpretations *(Continued)*

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following published standards, amendments and interpretations to existing standards are mandatory for the Group's financial periods beginning on or after 1 July 2012 or later periods and have not been early adopted by the Group.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments to HKAS 1[2]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[3]
HKFRS 9	Financial instruments[4]
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 19 (as revised in 2011)	Employee benefits[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[1]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Directors anticipate that the adoption of the above new standards, amendments and interpretations to existing standards will not result in a significant impact on the results and financial position of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

(a) Consolidation (Continued)

(i) Business combinations *(Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate 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 liabilities assumed. If this aggregate is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the amount by which the non-controlling interests are adjusted is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interests in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interests as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The chairman and the chief executive officer of the Company are empowered by the Board of Directors to control the assets and activities of the Company.

3.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where the items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Group companies*

The results and financial positions of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interests in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests to associates, joint ventures or financial assets) the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Leasehold improvements	5 years or the lease period, whichever is shorter
Plant and machinery	5 – 10 years
Office equipment, furniture and fixtures	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and associates, and represents the excess of the aggregate 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 fair value of the net identifiable assets acquired and liabilities assumed.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the Group's operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 3.11 and 3.12).

(b) *Recognition and measurement*

Regular ways of purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial assets *(Continued)*

(c) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated provision for impairment.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

3.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Convertible bonds

Compound financial instruments issued by the Group comprise Convertible Bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

3.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.17 Borrowing costs

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

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

3.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Current and deferred income tax *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Employee benefits

(a) Pension obligations

(i) Hong Kong

The Group participates in a mandatory provident fund scheme (the "MPF scheme") for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group in an independent administered fund.

Both the Group and the employees are required to contribute 5% of the employee's relevant income, subject to a maximum of HK$1,250 per employee per month (HK$1,000 prior to June 2012). The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund is available.

(ii) The PRC

The Group participates in a defined contribution scheme administrated by the relevant authority of the PRC. Contributions to the scheme are calculated as a percentage of employees' salaries and the Group has no further payment obligation once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Employee benefits *(Continued)*

(c) *Share-based compensation plan*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) *Bonus plan*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. A financial guarantee contract issued by the Group is initially recognised and subsequently measured at its fair value.

3.22 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Sales of goods are recognised when a Group entity has delivered the products to the customer; the customer has accepted the products and collectibility of the related receivable is reasonably assured.

(b) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

3.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.26 Exceptional items

Exceptional items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group mainly operates in Hong Kong with its transactions mainly denominated in HK$ and United States dollars ("US$"). The Group is therefore exposed to foreign exchange risk arising from US$, primarily with respect to HK$ which is the Company's functional and the Group's presentation currency. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

As HK$ are reasonably stable with US$ under the Linked Exchange Rate System, management considers the Group's foreign exchange risk arisen from US$ is low.

As at 31 December 2012, certain cash and cash equivalents of the Group as detailed in Note 14 are denominated in Renminbi ("RMB"). If HK$ has weakened/strengthened by 5% against RMB, with all other variables constant, post-tax profit for the year would have been approximately HK$634,000 lower/higher (2011: HK$55,000 lower/higher) on translation of RMB-denominated cash and cash equivalents.

The Group does not use any foreign exchange derivative contracts to manage their foreign exchange risk.

(b) *Credit risk*

The Group has significant concentrations of credit risk as three customers account for a significant portion of the Group's revenue. The carrying amounts of bank balances (Note 14), trade receivables (Note 12), and deposits and other receivables (Note 13) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2012, the majority of bank balances as detailed in Note 14 are held in major financial institutions located in Hong Kong, which management believes are of high credit quality.

The Group also has policies in place to ensure that sale of products are made to customers with an appropriate credit history.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the trade and other debtors and whether there are any disputes with the relevant debtors.

(c) Liquidity risk

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except the Convertible Bonds, balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	2012	2011
	HK$'000	*HK$'000*
Group		
Less than 1 year:		
– Trade payables *(Note 18)*	**75,979**	281,713
– Other payables and accruals *(Note 19)*	**15,627**	17,145
– Amount due to the controlling shareholder *(Note 32(c))*	**22,475**	2,300
– Amount due to a non-controlling shareholder of a subsidiary	**215**	–
– Convertible Bonds	**24,420**	–
	138,716	301,158
More than 1 year:		
– Contingent consideration payable *(Note 30)*	**30,000**	–
– Convertible Bonds	**–**	80,105
	30,000	80,105
Company		
Less than 1 year:		
– Other payables and accruals *(Note 19)*	**215**	63
– Convertible Bonds	**24,420**	–
	24,635	63
More than 1 year:		
– Convertible Bonds	**–**	80,105

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(d) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (Note 14), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from interest bearing borrowings. The borrowings obtained at variable rates expose the Group to cash flow interest rate risk. There were no interest bearing borrowings as at 31 December 2012 (2011: Nil). Convertible Bonds obtained at fixed rates expose the Group to fair value interest rate risk.

The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of Convertible Bonds are disclosed in Note 17.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including Convertible Bonds and amount due to the controlling shareholder as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The Group's strategy is to maintain the gearing ratio within 0-50%. The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
	HK$'000	*HK$'000*
Total borrowings *(Note 17 and 32(c))*	**44,618**	64,137
Less: Cash and cash equivalents *(Note 14)*	**(37,475)**	(22,265)
Net debt	**7,143**	41,872
Total equity	**200,377**	104,937
Total capital	**207,520**	146,809
Gearing ratio	**3.4%**	28.5%

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.3 Fair value estimation

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade receivables, deposits and other receivables, and the Group's current financial liabilities including trade payables, other payables and accruals, amount due to the controlling shareholder and amount due to a non-controlling shareholder of a subsidiary, approximate their fair values due to their short maturities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom 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.

(a) Impairment of non-financial assets

Non-financial assets including investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant change in the projected performance and resulting future cash flow projections, it may be necessary to reverse the previously recognised impairment losses, or to take further impairment charge to the income statement.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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 receivable is impaired. Management reassesses the provision at the end of each reporting period.

As at 31 December 2012, the Group had outstanding receivables of approximately HK$313,935,000 (2011: HK$459,689,000); out of which approximately HK$251,234,000 (2011: HK$360,043,000) were overdue. Management believes those outstanding receivables can be fully recovered and has made a total provision of approximately HK$12,532,000 (2011: HK$8,163,000) for the discounting effect for the time value of money.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Income taxes

The Group is subject to income taxes in the PRC and Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Estimated fair values of Convertible Bonds

The fair values of convertible bonds, either convertible bonds assets or convertible bonds liabilities, are determined based on the Directors' estimation in light of the latest information obtained relating to the Convertible Bonds and with reference to independent valuer assessment. Any new development in the Convertible Bonds or the market conditions and changes in assumptions and estimates can affect the fair values of these Convertible Bonds.

(e) Assessment of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates (Note 7). These calculations require the use of estimates.

6 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision-maker considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong and the PRC.

The Group's sales are delivered to customers located in the following regions:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**336,558**	571,590
The PRC	**2,929**	677
Europe	**67,871**	–
Japan	**26,980**	–
South America	**4,439**	–
North America	**2,774**	–
	441,551	572,267

6 SEGMENT INFORMATION *(Continued)*

Sales are allocated based on the places/countries in which customers are located. During the year ended 31 December 2012, sales of approximately HK$365,131,000 (2011: HK$571,590,000) were derived from 3 major customers (2011: 3 customers) who individually account for more than 10% of the total sales.

The Group's total assets are located in the following regions:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**375,161**	473,912
The PRC	**19,268**	9,605
	394,429	483,517

Total assets are allocated based on where the assets are located.

The Group's non-current assets are located in the following regions:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**31,789**	450
The PRC	**3,234**	4,831
	35,023	5,281

Non-current assets are allocated based on where the assets are located.

The Group's capital expenditures are located in the following regions:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**71**	497
The PRC	**829**	874
	900	1,371

Capital expenditures are allocated based on where the assets are located.

7 INTANGIBLE ASSETS

	Group Goodwill HK$'000
At 1 January 2011	
Cost	–
Accumulated impairment	–
Net book amount	–
Year ended 31 December 2011	
Opening net book amount	–
Acquisition of a subsidiary	1,581
Closing net book amount	1,581
At 31 December 2011	
Cost	1,581
Accumulated impairment	–
Net book amount	1,581
Year ended 31 December 2012	
Opening net book amount	**1,581**
Exchange realignment	**106**
Acquisition of a subsidiary *(Note 30)*	**29,759**
Closing net book amount	**31,446**
At 31 December 2012	
Cost	**31,446**
Accumulated impairment	**–**
Net book amount	**31,446**

Impairment tests for goodwill

The Directors have performed an impairment review of the carrying amount of goodwill as at 31 December 2012 and have concluded that no provision for impairment is required. For the purposes of impairment testing, goodwill acquired has been allocated to the smallest individual CGUs identified as at 31 December 2012. The recoverable amounts of each of the CGUs are determined based on value-in-use calculations. The calculation uses cash flow projections based on financial estimates made by the Directors, with reference to the prevailing market conditions, covering a period of 10-20 years (2011: 20 years) and assuming gross profit margins of 9%-25% (2011: 20%). Management assumes that the sales beyond the above-mentioned period will keep stable and the cash flows are extrapolated with reference to the production capacity of the CGUs acquired. The cash flow projections are discounted at a post-tax discount rate of 10%-20% (2011: 10%) per annum.

8 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	**Plant and machinery**	**Office equipment, furniture and fixtures**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011				
Cost	–	3,450	22	3,472
Accumulated depreciation	–	(300)	(7)	(307)
Net book amount	–	3,150	15	3,165
Year ended 31 December 2011				
Opening net book amount	–	3,150	15	3,165
Additions	341	104	156	601
Acquisition of a subsidiary	–	770	–	770
Depreciation *(Note 22)*	(38)	(775)	(23)	(836)
Closing net book amount	303	3,249	148	3,700
At 31 December 2011				
Cost	341	4,324	178	4,843
Accumulated depreciation	(38)	(1,075)	(30)	(1,143)
Net book amount	303	3,249	148	3,700
Year ended 31 December 2012				
Opening net book amount	**303**	**3,249**	**148**	**3,700**
Additions	**627**	**–**	**273**	**900**
Acquisition of a subsidiary *(Note 30)*	**–**	**–**	**9**	**9**
Depreciation *(Note 22)*	**(317)**	**(851)**	**(89)**	**(1,257)**
Exchange realignment	**(2)**	**228**	**(1)**	**225**
Closing net book amount	**611**	**2,626**	**340**	**3,577**
At 31 December 2012				
Cost	**968**	**4,546**	**460**	**5,974**
Accumulated depreciation	**(357)**	**(1,920)**	**(120)**	**(2,397)**
Net book amount	**611**	**2,626**	**340**	**3,577**

Depreciation expense for the year ended 31 December 2012 of approximately HK$799,000 (2011: HK$758,000) and HK$458,000 (2011: HK$78,000) have been recognised as cost of sales and administrative expenses, respectively.

9 INVESTMENTS IN SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
Investments, at cost:		
Unlisted shares *(Note (i))*	–	–

The following is a list of the subsidiaries which have been included in these consolidated financial statements as at 31 December 2012:

Company name	Places of incorporation/ establishment and kind of legal entity	Issued and fully paid-up share capital/ paid-in capital	Attributable equity interests Direct	Attributable equity interests Indirect	Principal activities and places of operations
Sino Front Limited	Hong Kong, limited liability	HK$1	100%	–	Trading of toys in Hong Kong
Victory Ford (HK) Limited	Hong Kong, limited liability	HK$1	–	100%	Investment holding in the PRC
致福玩具（深圳）有限公司	The PRC, wholly foreign-owned enterprise	HK$1,000,000	–	100%	Design and manufacturing of toys in the PRC
東莞市金詡玩具有限公司	The PRC, wholly foreign-owned enterprise	RMB500,000	–	100%	Manufacturing of toys in the PRC
Green Capital (Hong Kong) Limited	Hong Kong, limited liability	HK$1	100%	–	Investment and consultancy services in Hong Kong and the PRC
Cheerful Top Group Limited	British Virgin Islands, limited liability	US$1	100%	–	Investment holding in Hong Kong
Tai Cheng International Limited	Hong Kong, limited liability	HK$10,000	–	55%	Trading of toys in Hong Kong
廣西靈山泰晴玩具有限公司	The PRC, wholly foreign-owned enterprise	RMB10,030,000	–	55%	Design and manufacturing of toys in the PRC

Note:

(i) It represents investments in Sino Front Limited of HK$1, Cheerful Top Group Limited of US$1 (equivalent to approximately HK$8) and Green Capital (Hong Kong) Limited of HK$1 (2011: investment in Sino Front Limited of HK$1). The amount is not shown due to rounding.

Notes to the Consolidated Financial Statements

10 INVENTORIES

	Group 2012 HK$'000	Group 2011 HK$'000
Raw materials	**1,290**	1,032
Work in progress	**203**	587
Finished goods	**2,411**	1,326
	3,904	2,945

The cost of inventories recognised as expenses and included in cost of sales during the year ended 31 December 2012 amounted to approximately HK$301,804,000 (2011: HK$464,867,000) (Note 22).

11 FINANCIAL INSTRUMENTS BY CATEGORY

	Group Loans and receivables HK$'000	Company Loans and receivables HK$'000
Assets as per statement of financial position		
At 31 December 2012		
Trade and other receivables, excluding prepayments and trade deposits paid	**302,622**	**–**
Cash and cash equivalents	**37,475**	**349**
Amount due from a subsidiary	**–**	**92,691**
	340,097	**93,040**
At 31 December 2011		
Trade and other receivables, excluding prepayments and trade deposits paid	452,654	697
Cash and cash equivalents	22,265	12,601
Amount due from a subsidiary	–	85,000
	474,919	98,298

Notes to the Consolidated Financial Statements

11 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Group		Company
	Financial liabilities at fair value	**Financial liabilities at amortised cost**	**Financial liabilities at amortised cost**
	HK$'000	*HK$'000*	*HK$'000*
Liabilities as per statement of financial position			
At 31 December 2012			
Convertible bonds	**–**	**22,143**	**22,143**
Trade payables	**–**	**75,979**	**–**
Other payables and accruals	**–**	**15,627**	**215**
Amount due to the controlling shareholder	**–**	**22,475**	**–**
Amount due to a non-controlling shareholder of a subsidiary	**–**	**215**	**–**
Contingent consideration payable	**14,761**	**–**	**–**
	14,761	**136,439**	**22,358**
At 31 December 2011			
Convertible bonds	–	61,837	61,837
Trade payables	–	281,713	–
Other payables and accruals	–	17,145	63
Amount due to the controlling shareholder	–	2,300	–
	–	362,995	61,900

12 TRADE RECEIVABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**313,935**	459,689
Less: Provision for impairment of trade receivables	**(12,532)**	(8,163)
	301,403	451,526

The Group's trade receivables from its customers are generally with credit periods of 90 days (2011: 90 days). The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables. The Group does not hold any collateral as security.

The carrying amounts of trade receivables approximate their fair values.

12 TRADE RECEIVABLES *(Continued)*

The ageing analysis of trade receivables as at 31 December 2012 and 2011 are as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**18,008**	19,137
31 – 60 days	**12,547**	34,882
61 – 90 days	**32,037**	45,627
91 – 180 days	**100,465**	183,309
Over 180 days	**150,878**	176,734
	313,935	459,689

Management assessed the credit quality of those trade receivables of approximately HK$62,592,000 (2011: HK$99,646,000) that are neither past due nor impaired by reference to the repayment history and current financial position of these customers. These receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and these balances are expected to be fully recoverable.

As at 31 December 2012, trade receivables of approximately HK$251,234,000 (2011: HK$360,043,000) were past due but not impaired. These relate to three customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
91 – 180 days	**100,363**	183,309
Over 180 days	**150,871**	176,734
	251,234	360,043

Subsequent settlement of trade receivables balances as at 31 December 2012 up to the date of approval of the consolidated financial statements amounted to approximately HK$35,158,000 (2011: HK$146,673,000). Since the customers have no recent history of default and there have been continuous settlement from these customers, the Directors believe that most of the remaining balances can be recovered within the coming 12 months.

12 TRADE RECEIVABLES *(Continued)*

For the year ended 31 December 2012, the Group has made a total provision of approximately HK$4,369,000 (2011: HK$8,163,000) to account for the discounting effect of the time value of money because of the delay in settlement of the outstanding trade receivables.

Movement in the provision for impairment of trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**8,163**	–
Discount on past due balances *(Note 22)*	**4,369**	8,163
At 31 December	**12,532**	8,163

Trade receivables are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**452**	–
US dollars	**304,992**	459,016
Renminbi	**8,491**	673
	313,935	459,689

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**667**	372	**609**	372
Trade deposits paid	**14,738**	–	**–**	–
Deposits	**963**	1,128	**697**	697
Other receivables	**256**	–	**–**	–
	16,624	1,500	**1,306**	1,069

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Prepayments, deposits and other receivables are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**16,339**	1,500	**1,306**	1,069
US dollars	**285**	–	**–**	–
	16,624	1,500	**1,306**	1,069

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and on hand	**37,475**	22,265	**349**	12,601
Maximum exposure to credit risk	**37,460**	22,237	**349**	12,601

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**18,021**	21,166	**349**	12,601
Renminbi	**12,683**	1,099	**–**	–
US dollars	**6,771**	–	**–**	–
	37,475	22,265	**349**	12,601

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Notes to the Consolidated Financial Statements

15 SHARE CAPITAL

Authorised capital

	Number of shares	Nominal value HK$'000
At 1 January 2011	2,000,000,000	200,000
Share consolidation of 20 existing shares of HK$0.10 each into 3 Consolidated Shares of HK$0.67 each *(Note (a)(i))*	(1,700,000,000)	–
Capital reduction of the par value of the Consolidated Shares of HK$0.67 each into New Shares of HK$0.01 each *(Note (a)(i))*	–	(197,000)
Increase in authorised share capital *(Note (a)(i))*	3,700,000,000	37,000
At 31 December 2011 and 2012	4,000,000,000	40,000

Issued and fully paid capital

	Number of shares	Nominal value HK$'000
At 1 January 2011, ordinary shares of HK$0.10 each	552,586,000	55,259
Share consolidation of 20 existing shares of HK$0.10 each into 3 Consolidated Shares of HK$0.67 each *(Note (a)(i))*	(469,698,100)	–
Capital reduction of the par value of the Consolidated Shares of HK$0.67 each into New Shares of HK$0.01 each *(Note (a)(i))*	–	(54,430)
Issue of Subscription Shares *(Note (a)(ii))*	432,000,000	4,320
Issue of Placing Shares *(Note (a)(ii))*	27,020,000	270
Issue of Creditors Shares *(Note (a)(ii))*	34,100,000	341
Issue of shares upon conversion of Convertible Bonds *(Note (a)(iii))*	27,000,000	270
At 31 December 2011	603,007,900	6,030
Issue of shares upon conversion of Convertible Bonds *(Note (a)(iv))*	301,000,000	3,010
At 31 December 2012	904,007,900	9,040

15 SHARE CAPITAL *(Continued)*

Notes:

(a) Capital Restructuring

(i) Pursuant to the Restructuring Agreements entered into between the Company, the Provisional Liquidators, Gold Bless, Mr. Yang and Mr. Ting, which were approved by the independent shareholders of Company on 16 September 2011, sanctioned by the Grand Court of the Cayman Islands on 27 October 2011 and implemented by the Company on 7 November 2011, the share capital of the Company was restructured as follows:

- Share consolidation of every 20 existing shares of HK$0.10 each into 3 Consolidated Shares of HK$0.67 each;
- Capital reduction upon the Share Consolidation became effective, by reducing the nominal value of the Consolidated Shares from HK$0.67 each to HK$0.01 each; and
- The authorised share capital is increased to HK$40,000,000, which is divided into 4,000,000,000 New Shares of HK$0.01 each.

(ii) Pursuant to the Restructuring Agreements and upon completion of the Group Restructuring on 7 November 2011, the Company issued and alloted the following New Shares of HK$0.01 each:

- 432,000,000 Subscription Shares are issued to Gold Bless at a subscription price of HK$0.185 per New Share;
- 27,020,000 Placing Shares are issued through the placing agent at a price of HK$0.185 per New Share; and
- 34,100,000 Creditors Shares are issued to the scheme administrators for the benefit of the Scheme Creditors for full and final settlement of the claims by the creditors of the Company.

(iii) On 9 December 2011, certain of the Convertible Bonds with a total principal amount of HK$4,995,000 were converted into the shares of the Company at a conversion price of HK$0.185 per share and, accordingly, the Company issued and allotted a total of 27,000,000 shares to the Convertible Bond holders.

(iv) On 15 February, 21 February, 27 April during the year of 2012, certain of the Convertible Bonds with a total principal amount of HK$55,685,000 were converted into the shares of the Company at a conversion price of HK$0.185 per share and, accordingly, the Company issued and allotted a total of 301,000,000 shares to the Convertible Bond holders.

15 SHARE CAPITAL *(Continued)*

Notes: (Continued)

(b) Share option scheme

On 2 September 2006, a share option scheme (the "Share Option Scheme") was approved by the shareholders of the Company, under which the Company may grant the options to any eligible participants to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme.

(i) On 27 April 2007, share options with rights to subscribe for a total of 10,100,000 shares of the Company at a subscription price of HK$0.78 per share were granted to selected persons with a maximum vesting period of three years, and the expiry date of such options will be on 26 April 2017.

(ii) Pursuant to the Capital Restructuring as stated in Note 2, any rights arising under the existing convertible securities were to be cancelled. As the Capital Restructuring was completed on 7 November 2011, all outstanding share options were declared to be lapsed.

(iii) On 11 May 2012, share options with rights to subscribe for a total of 65,800,000 shares of the Company at an exercise price of HK$0.37 per share were granted to certain substantial shareholders, Directors and employees of the Group which were vested immediately on the date of grant and expire on 10 May 2022.

(iv) Movements in the share options are as follows:

	2012		2011	
	Average exercise price in HK$ per share	**Number of share options**	Average exercise price in HK$ per share	Number of share options
At 1 January	**–**	**–**	0.78	5,760,000
Granted	**0.37**	**65,800,000**	–	–
Lapsed	**–**	**–**	0.78	(5,760,000)
At 31 December	**0.37**	**65,800,000**	–	–

	2012	2011
– Range of exercise prices	**HK$0.37**	–
– Weighted average remaining contractual life	**9.35 years**	–

The weighted average fair value of options granted in 2012 determined using the Trinomial Option Pricing Model was HK$0.21 per option. The significant inputs into the model were weighted average share price of HK$0.37 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of ten years, and annual risk-free interest rate of 1.14%.

Notes to the Consolidated Financial Statements

16 RESERVES

(a) Group

	Attributable to equity holders of the Company						
	Share premium HK$'000	Share-based equity reserve HK$'000	Merger reserve HK$'000 Note (i)	Convertible bonds - equity component reserve HK$'000	Exchange reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011	368,381	1,367	29,107	–	–	(768,134)	(369,279)
Profit for the year	–	–	–	–	–	305,270	305,270
Share Consolidation and Capital Reduction *(Note 2(a)(i), 2(a)(ii) & 15(a)(i))*	–	–	–	–	–	54,430	54,430
Share Premium Cancellation *(Note 2(a)(iv))*	(368,381)	–	–	–	–	368,381	–
Issue of New Shares *(Note 2(b), 2(c), 2(e)(ii) & 15(a)(ii))*	86,147	–	–	–	–	–	86,147
Issue of Convertible Bonds *(Note 2(d) & 17)*	–	–	–	18,872	–	–	18,872
Issue of shares on conversion of Convertible Bonds *(Note 15(a)(iii))*	4,574	–	–	(1,107)	–	–	3,467
Transfer of merger reserve upon completion of the Group Restructuring *(Note 2(e)(iii))*	–	–	(29,107)	–	–	29,107	–
Transfer to accumulated losses upon lapse of share options *(Note 15(b)(ii))*	–	(1,367)	–	–	–	1,367	–
At 31 December 2011	**90,721**	**–**	**–**	**17,765**	**–**	**(9,579)**	**98,907**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**18,769**	**18,769**
Translation of foreign currency financial statements	**–**	**–**	**–**	**–**	**(242)**	**–**	**(242)**
Issue of shares on conversion of Convertible Bonds *(Note 15(a)(iv))*	**52,867**	**–**	**–**	**(12,349)**	**–**	**–**	**40,518**
Acquisition of a subsidiary *(Note 30)*	**–**	**–**	**–**	**16,733**	**–**	**–**	**16,733**
Issue of share options *(Note 15(b)(iii))*	**–**	**13,436**	**–**	**–**	**–**	**–**	**13,436**
At 31 December 2012	**143,588**	**13,436**	**–**	**22,149**	**(242)**	**9,190**	**188,121**

16 RESERVES *(Continued)*

(b) Company

	Share premium *HK$'000*	Share-based equity reserve *HK$'000*	Merger reserve *HK$'000* *Note (ii)*	Convertible bonds - equity component reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2011	368,381	1,367	78,922	–	(734,123)	(285,453)
Profit for the year	–	–	–	–	153,277	153,277
Share Consolidation and Capital Reduction *(Note 2(a)(i), 2(a)(ii) & 15(a)(i))*	–	–	–	–	54,430	54,430
Share Premium Cancellation *(Note 2(a)(iv))*	(368,381)	–	–	–	368,381	–
Issue of New Shares *(Note 2(b), 2(c), 2(e)(ii) & 15(a)(ii))*	86,147	–	–	–	–	86,147
Issue of Convertible Bonds *(Note 2(d) & 17)*	–	–	–	18,872	–	18,872
Issue of shares on conversion of Convertible Bonds *(Note 15(a)(iii))*	4,574	–	–	(1,107)	–	3,467
Transfer of merger reserve upon completion of the Group Restructuring *(Note 2(e)(iii))*	–	–	(78,922)	–	78,922	–
Transfer to accumulated losses upon lapse of share options *(Note 15(b)(ii))*	–	(1,367)	–	–	1,367	–
At 31 December 2011	**90,721**	**–**	**–**	**17,765**	**(77,746)**	**30,740**
Loss for the year	**–**	**–**	**–**	**–**	**(21,746)**	**(21,746)**
Issue of shares on conversion of Convertible Bonds *(Note 15(a)(iv))*	**52,867**	**–**	**–**	**(12,349)**	**–**	**40,518**
Issue of share options *(Note 15(b)(iii))*	**–**	**13,436**	**–**	**–**	**–**	**13,436**
At 31 December 2012	**143,588**	**13,436**	**–**	**5,416**	**(99,492)**	**62,948**

16 RESERVES *(Continued)*

Notes:

(i) On 30 December 2002, Smart Union Investments Limited ("SU Investments") issued certain shares to the then shareholders of certain subsidiaries comprising the Group in exchange for their equity interests in such companies and became the intermediate holding company.

On 1 September 2006, the Company issued 14,999,999 shares of HK$0.1 each as consideration for the acquisition of 4,000,000 shares of US$1 each in SU Investments.

The merger reserve of the Group represents the total of (i) the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares of SU Investments issued on 30 December 2002; and (ii) the difference between the nominal value of the shares of SU Investments acquired and the nominal value of shares the Company issued on 1 September 2006 for the acquisition of SU Investments.

The merger reserve was released and transferred to accumulated losses upon completion of the Group Restructuring (Note 2) on 7 November 2011.

(ii) The Company's merger reserve represents the difference between the aggregate net asset value of SU Investments and the nominal value of the Company's shares issued for the acquisition of SU Investments through a share swap under a group reorganisation.

The merger reserve was released and transferred to accumulated losses upon completion of the Group Restructuring (Note 2) on 7 November 2011.

(iii) Certain Convertible Bonds were converted during the year ended 31 December 2012. Share premium was recognised upon conversion of the aforesaid Convertible Bonds.

17 CONVERTIBLE BONDS

As stated in Note 2, pursuant to the Restructuring Agreements and upon completion of the Group Restructuring, the Company placed, through a placing agent an aggregate principal amount of HK$85,100,000 Convertible Bonds of which HK$63,825,000 in aggregate principal amount was placed to Gold Bless and the remaining balance HK$21,275,000 was taken up by independent holders. Upon completion, the Company issued 460,000,000 5.0% Convertible Bonds in the aggregate principal amount of HK$85,100,000 on 7 November 2011. The bonds will mature two years from the issue date at their nominal value of HK$85,100,000 or can be converted into shares at the holder's option before the maturity date at a conversion price of HK$0.185 per share. The values of the liability component and the equity component were determined at issuance of the bonds.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (Note 16).

On 15 February 2012, certain Convertible Bonds were converted in the principal amount of HK$8,140,000.

On 21 February 2012, certain Convertible Bonds were converted in the principal amount of HK$2,035,000.

On 27 April 2012, certain Convertible Bonds were converted in the principal amount of HK$45,510,000.

Notes to the Consolidated Financial Statements

17 CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds recognised in the statement of financial position are calculated as follows:

	Group and Company *HK$'000*
Face value of Convertible Bonds at issue date	85,100
Less: Direct issue costs	(2,553)
Face value of Convertible Bonds at issue date, net	82,547
Equity component on initial recognition *(Note 16)*	(18,872)
Liability component on initial recognition	63,675
Right of conversion exercised by bond holders	(3,737)
Interest expense *(Note 23)*	1,899
Liability component at 31 December 2011	**61,837**
Right of conversion exercised by bond holders	**(43,528)**
Interest expenses *(Note 23)*	**6,300**
Interest paid	**(2,466)**
Liability component at 31 December 2012	**22,143**

The fair value of the liability component of the Convertible Bonds at 31 December 2012 amounted to approximately HK$23,352,000 (2011: HK$73,082,000). The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5% (2011: 5%).

18 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2012 and 2011 are as follows:

	Group	
	2012 *HK$'000*	2011 *HK$'000*
0 – 30 days	**17,436**	12,783
31 – 60 days	**12,115**	32,506
61 – 90 days	**9,924**	33,039
91 days – 1 year	**30,991**	203,362
Over 1 year	**5,513**	23
	75,979	281,713

18 TRADE PAYABLES *(Continued)*

Trade payables are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**70,426**	281,353
Renminbi	**594**	360
US dollars	**4,959**	–
	75,979	281,713

The carrying amounts of trade payables approximate their fair values.

19 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**14,111**	16,695	**215**	63
Trade deposits received	**15,763**	–	**–**	–
Other payables	**1,516**	450	**–**	–
	31,390	17,145	**215**	63

Other payables, accruals and deposits received are denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**12,831**	15,788	**215**	63
Renminbi	**2,919**	1,357	**–**	–
US dollars	**15,640**	–	**–**	–
	31,390	17,145	**215**	63

The carrying amounts of other payables, accruals and deposits received approximate their fair values.

20 REVENUE

The Group is principally engaged in the manufacturing and trading of recreational and educational toys and equipment. Revenue recognised during the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Sales of goods	**441,551**	572,267

21 OTHER INCOME AND OTHER GAINS

	2012	2011
	HK$'000	*HK$'000*
Other income:		
– Non-refundable income *(Note (i))*	**–**	2,912
– Sundry income	**994**	67
	994	2,979
Other gains:		
– Gain on Group Restructuring *(Note (ii))*	**–**	300,248

Notes:

(i) Non-refundable income represents the amount provided by Gold Bless to partially cover the costs incurred in the connection with the Group Restructuring in accordance with the terms of the Exclusivity Agreement.

(ii) As discussed in Note 2, the Group completed a Group Restructuring on 7 November 2011 and the Excluded Companies were transferred to the Special Purpose Vehicle. The resulting gain on disposal of the Excluded Companies and discharging of liabilities amounted to approximately HK$300,248,000.

Notes to the Consolidated Financial Statements

22 EXPENSES BY NATURE

	2012	2011
	HK$'000	*HK$'000*
Auditor's remuneration		
– Current year	**600**	1,100
– Under-provision in respect of prior years	**235**	–
Depreciation of property, plant and equipment *(Note 8)*	**1,257**	836
Merchandise and raw materials used *(Note 10)*	**301,804**	464,867
Change in inventories of work-in-progress	**384**	(587)
Change in inventories of finished goods	**(1,085)**	(207)
Subcontracting charges	**55,854**	32,591
Discount on past due balances of trade receivables *(Note 12)*	**4,369**	8,163
Employee benefit expenses *(Note 25)*	**24,381**	3,479
Operating lease rentals for land and buildings	**4,575**	1,674
Costs incurred for the Group Restructuring	**–**	15,599
Others	**8,332**	10,267
Total cost of sales, selling expenses and administrative expenses	**400,706**	537,782

23 FINANCE COSTS, NET

	2012	2011
	HK$'000	*HK$'000*
Interest income on bank deposits	**4**	1
Fair value change of contingent consideration payable *(Note 30)*	**(1,494)**	–
Interest expense:		
– Other borrowings due within one year	**–**	(3,631)
– Convertible Bonds *(Note 17)*	**(6,300)**	(1,899)
Finance costs, net	**(7,790)**	(5,529)

24 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits during the year.

Enterprise Income Tax of the PRC (the "PRC EIT") has been provided at the rate of 25% (2011: 25%) on the estimated assessable profits during the year.

The amounts of income tax expense charged to the consolidated income statement represent:

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**10,677**	10,200
– The PRC EIT	**9**	3
	10,686	10,203
Under-provision in respect of prior years		
– Hong Kong profits tax	**1,459**	–
	12,145	10,203

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate in Hong Kong and the PRC EIT as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax	**34,049**	315,473
Calculated at Hong Kong profits tax rate of 16.5% (2011: 16.5%)	**5,620**	52,053
Effect of different taxation rates in other countries	**(207)**	1
Income not subject to tax	**–**	(50,069)
Expenses not deductible	**749**	7,502
Tax losses for which no deferred income tax asset was recognized	**4,452**	696
Under-provision in respect of prior years	**1,459**	–
Others	**72**	20
Income tax expense	**12,145**	10,203

25 EMPLOYEE BENEFIT EXPENSES

	2012	2011
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**10,220**	3,152
Pension costs – defined contribution plans	**725**	327
Share option expenses	**13,436**	–
	24,381	3,479

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' and senior management's emoluments

The remuneration of each Director of the Company for the year ended 31 December 2012 is set out below:

Name of Director	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Share options *HK$'000*	Total *HK$'000*
Executive Directors					
YANG, Wang Jian *(Note (iv))*	–	921	12	1,838	2,771
WONG, Man Keung	–	960	14	1,838	2,812
YANG, Jun	–	540	14	1,225	1,779
ZHU, Pei Heng *(Note (iii))*	–	204	–	–	204
CHAN, Yin Tsung *(Note (i))*	–	356	8	–	364
TUNG, Yee Shing *(Note (ii))*	–	81	3	–	84
Non-executive Director					
CHEUNG, Jonathan *(Note (i))*	59	–	–	–	59
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth	120	–	–	–	120
WU, Hong	120	–	–	–	120
WONG, Kwong Chung, James *(Note (vi))*	105	–	–	–	105
LOW, Chin Sin *(Note (v))*	15	–	–	–	15
	419	3,062	51	4,901	8,433

Notes:

(i) Appointed on 3 July 2012

(ii) Appointed on 7 November 2012

(iii) Resigned on 7 November 2012

(iv) Resigned on 8 November 2012

(v) Appointed on 15 November 2012

(vi) Resigned on 15 November 2012

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Directors' and senior management's emoluments *(Continued)*

The remuneration of each Director of the Company for the year ended 31 December 2011 is set out below:

Name of Director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Share options	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
WU, Kam Bun *(Note (i))*	–	–	–	–	–
HO, Wai Wah *(Note (i))*	–	–	–	–	–
WONG, Wai Chuen *(Note (i))*	–	–	–	–	–
YANG, Wang Jian *(Note (ii))*	–	162	2	–	164
WONG, Man Keung *(Note (ii))*	–	144	2	–	146
YANG, Jun *(Note (ii))*	–	81	2	–	83
ZHU, Pei Heng *(Note (ii))*	–	36	–	–	36
Independent Non-executive Directors					
YEUNG, King Wah, Kenneth *(Note (ii))*	18	–	–	–	18
WU, Hong *(Note (ii))*	18	–	–	–	18
WONG, Kwong Chung, James *(Note (ii))*	18	–	–	–	18
	54	423	6	–	483

Notes:

(i) Resigned on 7 November 2011

(ii) Appointed on 7 November 2011

During the year, no Directors of the Company waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the Directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) 5 highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2012 include 3 Directors (2011: Nil), whose emoluments are disclosed in Note 25(a). Details of emoluments of the remaining two (2011: five) individuals are as follows:

	2012	2011
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**788**	1,410
Pension costs – defined contribution plans	**27**	77
Share option expenses	**2,859**	–
	3,674	1,487

The emoluments are within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
Nil – HK$500,000	**–**	4
HK$500,001 – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	–
	2	5

26 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of approximately HK$21,746,000 (2011: profit of HK$153,277,000).

27 EARNINGS PER SHARE

Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$18,769,000 (2011: HK$305,270,000) divided by the weighted average number of approximately 818,205,000 (2011: 158,895,000) ordinary shares in issue after taking into account the effect of the Share Consolidation on 7 November 2011 as stated in Note 15(a)(i).

	2012	2011
Profit attributable to equity holders of the Company *(HK$'000)*	**18,769**	305,270
Weighted average number of ordinary shares in issue *(thousands)*	**818,205**	158,895
Basic earnings per share *(HK cents)*	**2.29**	192.1

Diluted

The computation of diluted earnings per share for the year ended 31 December 2012 did not assume the exercise of the Company's outstanding share options (Note 15(b)) because the exercise price of the Company's share options was higher than the average market price per share.

The computation of diluted earnings per share for the year ended 31 December 2012 did not assume the conversion of the Company's outstanding Convertible Bonds (Note 17) since their assumed conversion would result in an increase in earnings per share.

For the year ended 31 December 2011, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and adjusting for the Share Consolidation on 7 November 2011 (as stated in Note 15(a)(i)). The Company has one category of dilutive potential ordinary shares that is the Convertible Bonds (Note 17). The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense of the Convertible Bonds.

	2011
Profit attributable to equity holders of the Company *(HK$'000)*	305,270
Interest expense on Convertible Bonds *(Note 23) (HK$'000)*	1,899
Profit used to determine diluted earnings per share *(HK$'000)*	307,169
Weighted average number of ordinary shares in issue *(thousands)*	158,895
Adjustments for assumed conversion of Convertible Bonds *(thousands)*	67,615
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	226,510
Diluted earnings per share *(HK cents)*	135.6

28 DIVIDENDS

No dividend in respect of the year ended 31 December 2012 (2011: Nil) is to be proposed at the forthcoming Annual General Meeting.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash used in operations

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax	**34,049**	315,473
Adjustment for:		
– Depreciation on property, plant and equipment	**1,257**	836
– Gain on Group Restructuring	**–**	(300,248)
– Provision for financial guarantees to an unconsolidated subsidiary	**–**	16,710
– Fair value change of contingent consideration payable	**1,494**	–
– Share option expenses	**13,436**	–
– Discount on past due balances of trade receivables	**4,369**	8,163
– Interest income	**(4)**	(1)
– Interest expense	**6,300**	5,530
	60,901	46,463
Changes in working capital:		
– Inventories	**(959)**	(94)
– Trade receivables	**146,650**	(241,196)
– Prepayments, deposits and other receivables	**(15,101)**	3,771
– Trade payables	**(206,281)**	163,010
– Other payables, accruals and deposits received	**14,250**	6,057
– Amount due to a non-controlling shareholder of a subsidiary	**61**	–
Cash used in operations	**(479)**	(21,989)

30 BUSINESS COMBINATION

Acquisition of Tai Cheng International Limited

On 8 May 2012, the Group acquired 55% equity interest in Tai Cheng International Limited ("Tai Cheng"), a company incorporated in Hong Kong, at a total consideration of not in excess of HK$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong.

The acquired business contributed revenue and net profit of approximately HK$105,143,000 and HK$6,968,000 respectively to the Group for the period from 8 May 2012 to 31 December 2012.

The following table summarises the consideration for the acquisition of Tai Cheng, and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date.

30 BUSINESS COMBINATION *(Continued)*

Acquisition of Tai Cheng International Limited *(Continued)*

The fair values of the identifiable assets acquired and liabilities assumed of Tai Cheng at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Purchase consideration	
– Cash paid *(Note (i))*	–
– Contingent consideration *(Note (ii))*	**30,000**
Total purchase consideration	**30,000**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment *(Note 8)*	**9**
Trade receivables	**897**
Prepayment, deposits and other receivables	**23**
Cash and cash equivalents	**210**
Trade payables	**(547)**
Amount due to a non-controlling shareholder of a subsidiary	**(154)**
Total identifiable net assets	**438**
Non-controlling interests	**(197)**
Goodwill *(Note 7)*	**29,759**
	30,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition is as follows:

Cash and cash equivalents acquired	**210**
Less: Consideration satisfied by cash *(Note (i))*	**–**
Net cash inflow on acquisition of a subsidiary	**210**

30 BUSINESS COMBINATION *(Continued)*

Acquisition of Tai Cheng International Limited *(Continued)*

Notes:

(i) The cash consideration paid was HK$100. The amount shown above was a result of rounding.

(ii) Contingent consideration in aggregate not exceeding HK$30,000,000 shall be settled by the issue of convertible bonds (the "Tai Cheng CB") in three tranches of HK$10,000,000 each for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The principal amount of the Tai Cheng CB to be issued in each tranche shall be determined by the proportion of the audited profit after taxation of Tai Cheng to the benchmark profit, as multiplied by HK$10,000,000. The benchmark profit is HK$12,000,000, HK$13,000,000 and HK$14,000,000 for each financial year ended 31 December 2012, 2013 and 2014 respectively.

The Tai Cheng CB, if issued, will be non-interest bearing, mature three years from the date of issue and is convertible into the shares of the Company at a conversion price of HK$0.50 per share.

A liability component and an equity component were classified at initial recognition of this contingent consideration payable.

The fair value of the liability component of the Tai Cheng CB was initially recognised at the date of acquisition at approximately HK$13,267,000 by using the discounted cash flow model. The fair value estimates were based on assumed discount rates ranging from 17.90% to 18.15%. This liability component was subsequently measured at fair value of approximately HK$14,761,000 as at 31 December 2012 in contingent consideration payable, with change in fair value of approximately HK$1,494,000 recognised as finance costs (Note 23) in the consolidated income statement.

The equity component of the Tai Cheng CB of approximately HK$16,733,000, which represents the value of the equity conversion option of the contingent consideration payable, was included in shareholders' equity in other reserves (Note 16).

31 COMMITMENTS

Capital commitments

	Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of land	**4,786**	–
– Construction of plant	**10,000**	–
– Purchase of machinery	**6,136**	–
	20,922	–

31 COMMITMENTS *(Continued)*

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Not later than one year	**3,299**	1,981
Later than one year but not later than five years	**2,119**	3,592
	5,418	5,573

	Company	
	2012	2011
	HK$'000	*HK$'000*
Not later than one year	**1,337**	103

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following significant transactions carried out with related parties during the year.

(a) Key management compensation

	Group	
	2012	2011
	HK$'000	*HK$'000*
Wages, salaries and other short-term employee benefits	**3,481**	477
Pension costs – defined contribution plans	**51**	6
Share option expenses	**4,901**	–
	8,433	483

(b) Transactions

Consultancy fee paid to Mr. Yang, Wang Jian, the controlling shareholder of the Company	**80**	–
Rentals paid to related companies beneficially owned by Mr. Yang, Wang Jian	**835**	523

32 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with the controlling shareholder

	Group	
	2012	2011
	HK$'000	*HK$'000*
Amount due to the controlling shareholder, Mr. Yang, Wang Jian	**22,475**	2,300

The amount due to the controlling shareholder is mainly denominated in Hong Kong dollars. The balance is unsecured, interest-free and substantially repayable in December 2013.

(d) Balance with a subsidiary

	Company	
	2012	2011
	HK$'000	*HK$'000*
Amount due from Sino Front Limited	**92,691**	85,000

The amount due from a subsidiary is denominated in Hong Kong dollars. The balance is unsecured, interest-free and repayable on demand.

Five Year's Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The financial statements for the years ended 31 December 2008, 2009, 2010, 2011 had been disclaimed by the auditors of the Company. Details of the disclaimer opinions of the auditors has been set out in the annual reports for the year 2008, 2009, 2010 and 2011 of the Company, respectively.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**441,551**	572,267	358,441	98,140	37,550
Costs of sales	**(363,017)**	(498,999)	(324,333)	(93,384)	(32,954)
Gross profit	**78,534**	73,268	34,108	4,756	4,596
Other income	**994**	2,979	5,913	11,251	10,171
Other gains/(losses)	**–**	300,248	324	(1,575)	4,904
Selling expenses	**(1,385)**	(5,553)	(1,430)	–	–
Administrative expenses	**(36,304)**	(33,230)	(10,658)	(15,436)	(38,251)
Loss on de-consolidation of unconsolidated subsidiaries	**–**	–	–	–	(63,393)
Impairment loss on investments in unconsolidated subsidiaries	**–**	–	–	–	(3,600)
Gain on de-consolidation of a former subsidiary	**–**	–	–	–	506
Impairment loss on investment in a former subsidiary	**–**	–	–	–	(30,000)
Impairment loss on amounts due from unconsolidated subsidiaries	**–**	–	–	–	(231,939)
Impairment loss on amount due from a former subsidiary	**–**	–	–	–	(43,307)
Provision for financial guarantees to an unconsolidated subsidiary	**–**	(16,710)	(17,373)	(13,917)	(154,537)
Write back of provision/(provision) for legal claims	**–**	–	5,368	204	(5,572)
Write back of provision for amount due from a former subsidiary	**–**	–	11,066	–	–
Impairment loss on interest in an associated company	**–**	–	–	–	(257,555)
Impairment loss of convertible bonds	**–**	–	–	–	(40,000)
Finance costs, net	**(7,790)**	(5,529)	(3,597)	(2,048)	(173)
PROFIT/(LOSS) BEFORE INCOME TAX	**34,049**	315,473	23,721	(16,765)	(848,150)
Income tax expense	**(12,145)**	(10,203)	(4,782)	(600)	(6)
PROFIT/(LOSS) FOR THE YEAR	**21,904**	305,270	18,939	(17,365)	(848,156)
Profit/(loss) for the year attributable to:					
Equity holders of the Company	**18,769**	305,270	18,939	(17,365)	(846,786)
Non-controlling interests	**3,135**	–	–	–	(1,370)
	21,904	305,270	18,939	(17,365)	(848,156)

Five Year's Financial Summary

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**394,429**	483,517	246,216	50,983	10,750
TOTAL LIABILITIES	**(194,052)**	(378,580)	(560,236)	(383,942)	(326,344)
NON-CONTROLLING INTERESTS	**(3,216)**	–	–	–	–
	197,161	104,937	(314,020)	(332,959)	(315,594)