中國海景控股有限公司

Sino Haijing Holdings Limited

(Stock Code: 1106)

ANNUAL REPORT 2011

This report, in both English and Chinese versions, is available on the Company's website at http://www.sinohaijing.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan
Mr. Deng Chuangping

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2412, 24/F
Wing On Centre
111 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Ms. Choi Yuen Wa *(FCCA, CPA, MBA)*

AUTHORISED REPRESENTATIVES

Mr. Chao Pang Fei
Ms. Choi Yuen Wa *(FCCA, CPA, MBA)*

AUDIT COMMITTEE

Mr. Ho Ka Wing *(Chairman)*
Mr. Sin Ka Man
Ms. Chen Hongfang

REMUNERATION COMMITTEE

Mr. Ho Ka Wing *(Chairman)*
Mr. Sin Ka Man
Ms. Chen Hongfang
Mr. Chao Pang Fei
Ms. Hui Hongyan

NOMINATION COMMITTEE

Mr. Chao Pang Fei *(Chairman)*
Mr. Hui HongYan
Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

LEGAL ADVISERS

As to Hong Kong Law
Loong & Yeung

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Bank Of East Asia
HSBC
Bank of China (Hefei)
Bank of Communications (Hefei)
China Merchants Bank (Qingdao)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

1106

COMPANY'S WEBSITE

http://www.sinohaijing.com

Directors and Senior Management of the Group

Biographical details of directors of the Company and the senior management of the Group are set out below:

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei, aged 51, is the Chairman and the President of the Group and is responsible for the formulation of corporate strategy and the steering of the overall development of the Group. Mr. Chao has over 16 years of experience in expanding and promoting the EPS packaging industry in the PRC. Mr. Chao joined the Group in September 2005.

Mr. Wang Yi, aged 50, is the Vice President of the Group and the General Manager of Hefei Haijing Packing Materials Company Limited, a subsidiary of the Group. He is responsible for overseeing the operation of Hefei Haijing Packing Materials Company Limited. Mr. Wang graduated from Shanghai Light Industry College. Mr. Wang has over 24 years of experience in the EPS production and technical management. Mr. Wang joined the Group in January 2008.

Ms. Hui Hongyan, aged 47, is responsible for the financial management of the Group's subsidiaries in the PRC. Ms. Hui graduated from the University of Shenzhen majoring in Accountancy. Ms. Hui had over 17 years of experience in different management positions in finance department of various companies in the PRC. Ms. Hui joined the Group in September 2005.

Mr. Deng Chuangping, aged 35, is the President Assistant of the Group and the General Manager of Qingdao Xin Haijing Packing Materials Company Limited, a subsidiary of the Group. He is responsible for overseeing the operation of Qingdao Xin Haijing Packing Materials Company Limited. Mr. Deng graduated from the Faculty of Industry and Economics of Renmin University of the PRC. Mr. Deng has over 11 years of experience in the EPS production and technical management. Mr. Deng joined the Group in January 2008.

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping, aged 48, holds a bachelor degree and master degree in economics from Zhongshan University in the PRC and a master degree in business studies from Massey University in New Zealand. Since 1988, Mr. Lan worked for several financial institutions and investment companies in the PRC and currently he is the professor in the International Finance College of the Beijing Normal University (Zhuhai Campus). Mr. Lan has over 16 years of experience in finance and investment fields.

Directors and Senior Management of the Group

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, aged 40, has over 14 years of management experience. Mr. Ho received a bachelor degree of Business from the Monash University in Australia in 1997 and a master of degree of Business Administration from the University of Surrey in the United Kingdom in 2000.

Mr. Sin Ka Man, aged 44, has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in Accounting from Curtin University of Technology, Australia.

Ms. Chen Hongfang, aged 49, graduated from Guangdong Provincial Party College. Ms. Chen has over 10 years of administration and human resources management experience.

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, Frieda, aged 44, is the Financial Controller and Company Secretary of the Group. Ms. Choi joined the Group in August 2005 and is responsible for the financial management, accounting and company secretarial matters of the Group. Ms. Choi holds a master degree in Business Administration from the University of Surrey in the United Kingdom. Ms. Choi is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group, Ms. Choi had worked in the finance department of two public listed companies in Hong Kong. She has over 18 years of professional experience in the field of auditing, accounting and financial management.

Mr. Yao Weiyou, aged 33, is the General Manager of Qingdao Haijing Packing Materials Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Qingdao Haijing Packing Materials Company Limited. Mr. Yao graduated from the Faculty of Computer of Hefei Industrial University. Mr. Yao has over 10 years of experience in the EPS production and technical management.

Directors' Business Review

The board of directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein presents the audited annual results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

TURNOVER

For the year under review, the Group recorded a total turnover of approximately HK$520.07 million, representing an increase of 1.13% as compared to approximately HK$514.26 million for the corresponding year in 2010.

GROSS PROFIT

Gross profit was approximately HK$72.02 million for the year 2011, representing a decrease of approximately 22.84% as compared to approximately HK$93.34 million for the corresponding year in 2010. The overall profit margin decreased from 18.15% for 2010 to 13.85%. The decrease in profit margin was due to the continuous rise in the costs of fuel, electricity, labour cost and a variety of new taxes which were difficult to shift all the increasing costs to the customers in the current circumstances.

OTHER OPERATING INCOME

Other operating income was approximately HK$8.31 million for the year 2011, representing an increase of approximately 21.22% as compared with approximately HK$6.86 million for the corresponding year in 2010. The increase in other operating income was mainly due to the exchange gain of approximately HK$3.25 million from the pledged RMB fixed deposit held by the Company.

FINANCE COSTS

Finance costs for the year 2011 were approximately HK$9.31 million, representing an increase of approximately 30.34% as compared to approximately HK$7.14 million for the corresponding year in 2010. The increase of finance costs was due to increase in bank and other borrowings and increase in interest rates.

LOSS FOR THE YEAR

For the year under review, loss attributable to equity holders of the Company was approximately HK$19.64 million as compared to profit of HK$30.83 million for the corresponding year in 2010. Impairment loss on goodwill included in administrative and other operating expenses was approximately HK$28.72 million (2010: Nil). The directors consider the major factors contributing to the impairment of goodwill are the continuous downturn of the property market in the PRC resulting in significantly reduced demand for household electrical appliances and the continuous rise of operating costs.

Directors' Business Review

BUSINESS REVIEW

The Group mainly focuses on the production and sale of expanded polystyrene ("EPS") and paper honeycomb packaging products for household electrical appliances in the PRC. During the second half year of 2011, the Group was exposed to the gradual withdrawal of subsidy policy of "Rural Area Subsidized Electrical Appliances Purchase Policy" and "Energy Efficient Product Subsidy Policy" and the continuous downturn of the property market in the PRC, resulting in significantly reduced demand for household electrical appliances and brought unprecedented challenges to the Group. Whereas the continuous rise of fuel, electricity, labour cost, accessory materials and a variety of new taxes increased the operating costs of the Group and the unfavourable situation such as the tightening of monetary policy squeezed the profit margins of the Group.

In 2011, the Group has gained precious experience in response to adverse business environment and it laid a solid foundation for the future sustainable development of the Group.

BUSINESS OUTLOOK

The economic prospects of the PRC is impacted by the sluggish US economy and the sovereign debt crisis in Europe as well as high inflation and the market demand for the household electrical appliances will not be expected to rebound strongly in the near future. Whereas in the past few years, subsidy policies of "Rural Area Subsidized Electrical Appliances Purchase Policy" and "Energy Efficient Product Subsidy Policy" have utilized the market demand for the household electrical appliances in advance.

Looking forward, the Group will focus on upgrading the production technology, strengthen the internal management and develop new customers.

ENHANCE PRODUCTION TECHNOLOGY

The Group will enhance its production technology management, improve its production processes, including to improve mould design and management, streamline the production processes, reduce scrap products, improve the product quality and to enhance the overall production efficiency.

The Group requires utilizing massive steam in the daily production processes and to improve the mould design can effectively reduce the consumption of steam. In 2012, the Group will focus on improving mould design, thereby enhancing production efficiency and cost savings.

Directors' Business Review

BUSINESS DEVELOPMENT

The Group will consolidate the existing customers and develop the new customers positively. The Group is competitive in developing of the new customers as the Group has a management team that has over 10 years of experience in managing packaging business and has a team of professional designers. The Group will strengthen its sensitivity towards changing market demand and creativity in product design and will further enhance its design edge so as to expand its market penetration and customer base.

STRENGTHEN INTERNAL MANAGEMENT

The Group will continue to strengthen its internal management, establish a sound internal control system to enable the Group's continuous, stable and healthy development.

The Group will continuously simplify and improve procedures and processes to make operations more streamlined. The Group will convene regular internal meetings to facilitate communication among the Group's subsidiaries in order to promote market information and exchange production technology so that all departments complement each other in their respective merits and enhance overall efficiency.

The Group will strengthen production technology management, equipment management and mould management, enhance production efficiency and product quality in order to achieve efficiency and increase overall productivity and profits.

The Group will also continue to keep its inventory at reasonably low level in order to enhance profitability.

TEAM BUILDING

The Group has adhered to the "people-oriented" enterprise conviction and strongly believes that only having outstanding human resources can enhance the overall competitiveness and cohesive spirit of the Group. The Group has adopted a share option scheme and offered a refined incentive bonus program to its staff. The Group provides ongoing staff training, offers fair and equitable promotional opportunities to its staff and provides a platform to its staff for their career advancement so as to enhance the quality of management and operations skills of the staff, nurture and reserve the key human resources for future development of the Group.

Directors' Business Review

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had current assets of approximately HK$457.52 million (2010: HK$343.49 million) of which approximately HK$34.42 million (2010: approximately HK$95.92 million) were cash and cash equivalents. The Group's current liabilities amounted to approximately HK$306.86 million (2010: HK$204.51 million) which mainly comprised its trade and other payables and interest-bearing bank and other borrowings. Taken into consideration of its current financial resources, the Group shall have adequate capital for its continual operation and development.

EMPLOYEES

As at 31 December 2011, the Group had a total of around 1,148 (2010: 1,412) staff based in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CAPITAL STRUCTURE

As at 31 December 2011, the Group's net assets were financed by internal resources and bank and other borrowings.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2011.

CAPITAL COMMITMENT

The group's capital commitment outstanding at the year end and contracted but not provided for in the financial statements is HK$37.80 million (2010: HK$2.50 million).

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2011, the Group pledged assets with aggregate carrying value of HK$183.07 million (2010: HK$78.06 million) to secure banking and other facilities and other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any significant contingent liabilities (2010: Nil).

Directors' Business Review

HEDGING

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

APPRECIATION

The Board would like to thank all customers, shareholders, business associates and professional advisers for their continuous support and extend its appreciation to all fellow directors and employees for their invaluable efforts and hard work, dedication and commitment to the Group during the year.

For and on behalf of the Board

Chao Pang Fei
Chairman

Hong Kong, 23 March 2012

Report of the Directors

The directors present herewith their annual report and the audited consolidated financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Group's subsidiaries are set out in note 18 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	35%	
Five largest customers in aggregate	74%	
The largest supplier		27%
Five largest suppliers in aggregate		61%

At no time during the year have the directors, their associates or any shareholders of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

SEGMENT REPORTING

Details of segment reporting are set out in note 6 to the consolidated financial statements.

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 27.

The state of affairs of the Group and the Company as at 31 December 2011 are set out in the consolidated statement of financial position on pages 28 to 29 and the statement of financial position on page 30, respectively.

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

Report of the Directors

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2011 and of the assets and liabilities as at 31 December 2007, 2008, 2009, 2010 and 2011 are set out on page 85.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan
Mr. Deng Chuangping

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

Report of the Directors

In accordance with Article 86(3) of the Company's articles of association, all directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Chao Pang Fei, Ms. Hui Hongyan and Mr. Lan Yu Ping have entered into a service contract with the Company for an initial term of one year commencing from 13 September 2005 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has confirmed his/her independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2011 and the Company considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (the "SFO"), as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by the Directors of Listed issuers (the "Model Code") contained in the Listing Rules were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Personal interests	Corporate interest	Number of underlying shares held under equity derivatives	Total	Approximate % of issued share capital
Mr. Chao Pang Fei ("Mr. Chao")	39,670,000	690,396,020 *(Note 1)*	–	730,066,020	60.35
Mr. Wang Yi	–	–	8,000,000 *(Note 2)*	8,000,000	0.66
Ms Hui Hongyan	–	–	4,672,000 *(Note 2)*	4,672,000	0.39
Mr. Deng Chuangping	840,000	–	5,760,000 *(Note 2)*	6,600,000	0.55

Notes:

1. These shares are legally owned by Haijing Holdings Limited ("Haijing Holdings"), a company incorporated in the British Virgin Islands ("BVI") with limited liability and is wholly owned by Mr. Chao. By virtue of his 100% shareholding interest in Haijing Holdings, Mr. Chao is taken to be interested in all the shares of the Company held by Haijing Holdings pursuant to Part XV of the SFO.

2. These interests represented the interest in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in the section below headed "Share Option Scheme".

SHARE OPTIONS GRANTED TO DIRECTORS

On 6 November 2009, the Company granted share options to certain Directors under the share option scheme (the "Share Option Scheme") that was adopted on 6 June 2003. Details of the share options movement as at 31 December 2011 are set out in the heading "Share Option Scheme" under Report of Directors.

Save as disclosed above, as at 31 December 2011, none of the Directors or the Chief Executive of the Company nor their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of SFO, to be entered in the register referred to therein; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, so far as is known to the Directors of the Company, the following, not being a Director or the Chief Executive of the Company, have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of SFO:

LONG POSITIONS IN THE SHARES

Name of	Nature of interests	Number of share	Approximate percentage of the issued share capital of the Company
			%
Haijing Holdings	Beneficial owner	690,396,020	57.07
Ms. Sam Mei Wa	Interest of spouse	730,066,020 *(Note)*	60.35

Note: Ms. Sam Mei Wa is the spouse of Mr. Chao Pang Fei, hence Ms. Sam is taken to be interested in all the Shares held or deemed to be held by Mr. Chao pursuant to the SFO.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies.

The following table discloses the movement of the Company's share options during the year ended 31 December 2011.

				Number of share options				
	Date of grant	Exercisable period	Exercise price per share HK$	Balance as at 1/1/2011	Effect of share subdivision	Exercised during the year	Lapsed upon resignation	Balance as at 31/12/2011
Category 1								
Directors								
Wang Yi	6/11/2009	6/11/2011-5/11/2013	0.105	4,000,000	4,000,000	–	–	8,000,000
Hui Hongyan	6/11/2009	6/11/2011-5/11/2013	0.105	2,336,000	2,336,000	–	–	4,672,000
Deng Chuangping	6/11/2009	6/11/2011-5/11/2013	0.105	2,880,000	2,880,000	–	–	5,760,000
				9,216,000	9,216,000	–	–	18,432,000
Category 2								
Employees	6/11/2009	6/11/2009-5/11/2013	0.21	74,000	–	–	(74,000)	–
Employees	6/11/2009	6/11/2011-5/11/2013	0.105	14,449,000	13,861,000	–	(2,312,000)	25,998,000
				14,523,000	13,861,000	–	(2,386,000)	25,998,000
				23,739,000	23,077,000	–	(2,386,000)	44,430,000

The closing price of the Company's share on 5 November 2009, the date immediately before the date of grant of the share options (6 November 2009), was HK$0.10 per share (adjusted after share subdivision in 2010 and 2011). During the year ended 31 December 2011, the fair value of the share options granted recognised into equity settled share-based payment expenses are set out in note 28 to the financial statements.

COMPETING INTERESTS

As at 31 December 2011, none of the Directors or management shareholders (as defined in Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE REPORT

The Company complied with Code on Corporate Governance Practices (the "CG Code") of the Listing Rules throughout at the year ended 31 December 2011 with the exception of deviation for Code Provision A.2.1.

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Chao Pang Fei is the Chairman and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

Report of the Directors

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibility for decision making in all major matters of the Company including: the approval and monitoring of all policy matters, the setting of objectives, annual budgets and overall strategies, material transactions (in particular those which may involve conflict of interests), appointment of directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the senior executives. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by these senior executives and the Board has the full support of them to discharge its responsibilities.

All directors have full and timely access to all relevant information as well as the advice and services of the professional advisers, as and when required, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following directors:

EXECUTIVE DIRECTORS:

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan
Mr. Deng Chuangping

NON-EXECUTIVE DIRECTOR:

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

In accordance with the Company's articles of association, all directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Regular Board meetings should be held at least three times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2011, 10 Board meetings (3 of which were regular Board meetings) and 3 Audit Committee meetings were held.

Report of the Directors

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 December 2011 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship	
Name of Directors	**Board**	**Audit Committee**
Executive Directors		
– Mr. Chao Pang Fei	10/10	N/A
– Mr. Wang Yi	8/10	N/A
– Ms. Hui Hongyan	10/10	N/A
– Mr. Deng Chuangping	6/10	N/A
Non-Executive Director		
– Mr. Lan Yu Ping	3/10	N/A
Independent Non-Executive Directors		
– Mr. Ho Ka Wing	7/10	3/3
– Mr. Sin Ka Man	9/10	3/3
– Ms. Chen Hongfang	5/10	2/3

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

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

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, Audit Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The 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.

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company had established an Audit Committee in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting and internal control procedures of the Group.

The Audit Committee comprises Mr. Ho Ka Wing, Mr. Sin Ka Man and Ms. Chen Hongfang who are Independent Non-Executive Directors of the Company.

During the year, the Audit Committee held three meetings to review and comment on the Company's 2010 annual report, 2011 first quarterly report and 2011 half-yearly report as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2011 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

NOMINATION COMMITTEE

The key objective of the Nomination Committee is to ensure the Board comprises individuals with requisite skills and experience, to ensure that it is effective in discharging its responsibilities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. Specific enquiry has been made by the Company and all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 25 to 26.

AUDITOR'S REMUNERATION

For the year ended 31 December 2011, the remuneration payable to the auditor of the Company amounted to approximately HK$628,000, of which HK$570,000 related to audit services and HK$58,000 related to other non-audit services.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2011 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Company attended the 2011 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2011 annual general meeting on each substantial issue, including the election of individual directors.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The financial statements for the financial year ended 31 December 2009 were audited by CCIF CPA Limited, who acted as auditor of the Company since 6 January 2006, had resigned with effect from 14 October 2010 and Mazars CPA Limited, *Certified Public Accountants*, was appointed as auditor of the Company on 8 November 2010 to fill the casual vacancy.

The financial statements for the years ended 31 December 2010 and 2011 have been audited by Messrs. Mazars CPA Limited, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Chao Pang Fei
Chairman
Hong Kong, 23 March 2012

Independent Auditor's Report

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
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To the shareholders of
Sino Haijing Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 27 to 84, which comprise the consolidated and the Company's statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

MAZARS

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

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

OPINION

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 23 March 2012

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	5	**520,067**	514,262
Cost of sales		**(448,046)**	(420,918)
Gross profit		**72,021**	93,344
Other revenue and other income	7	**8,312**	6,857
Administrative and other operating expenses		**(85,305)**	(49,578)
(Loss) Profit from operations		**(4,972)**	50,623
Finance costs	8	**(9,305)**	(7,139)
(Loss) Profit before tax	8	**(14,277)**	43,484
Income tax expense	11	**(4,826)**	(10,594)
(Loss) Profit for the year		**(19,103)**	32,890
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**14,285**	9,944
Total comprehensive (loss) income for the year		**(4,818)**	42,834
(Loss) Profit attributable to:			
Equity holders of the Company	12	**(19,636)**	30,828
Non-controlling interests		**533**	2,062
		(19,103)	32,890
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(6,061)**	40,157
Non-controlling interests		**1,243**	2,677
		(4,818)	42,834
			(Restated)
(Loss) Earnings per share	14		
– Basic		**(HK$1.62 cents)**	HK$3.12 cents
– Diluted		**(HK$1.59 cents)**	HK$3.04 cents

Consolidated Statement of Financial Position

At 31 December 2011

	Note	31 December 2011 HK$'000	31 December 2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**126,039**	118,832
Lease premium for land	16	**25,934**	25,374
Goodwill	17	**44,127**	70,186
		196,100	214,392
Current assets			
Financial assets at fair value through profit or loss	19	**5,576**	38
Inventories	20	**20,624**	16,788
Lease premium for land	16	**576**	551
Trade and other receivables	21	**318,958**	230,193
Tax recoverable		**963**	–
Pledged bank deposits	22	**76,406**	–
Bank balances and cash		**34,418**	95,923
		457,521	343,493
Current liabilities			
Trade and other payables	23	**125,967**	114,855
Bank and other borrowings	24	**180,896**	87,527
Current tax payable		**–**	2,131
		306,863	204,513
Net current assets		**150,658**	138,980
Total assets less current liabilities		**346,758**	353,372
Non-current liabilities			
Deferred tax liabilities	25	**2,776**	2,718
NET ASSETS		**343,982**	350,654

Consolidated Statement of Financial Position

At 31 December 2011

	Note	31 December 2011 HK$'000	31 December 2010 HK$'000
Capital and reserves			
Share capital	*26*	**30,242**	30,242
Reserves	*27*	**298,867**	304,043
Equity attributable to equity holders of the Company		**329,109**	334,285
Non-controlling interests		**14,873**	16,369
TOTAL EQUITY		**343,982**	350,654

Approved and authorised for issue by the Board of Directors on 23 March 2012.

Chao Pang Fei
Director

Hui Hongyan
Director

Statement of Financial Position

At 31 December 2011

	Note	31 December 2011 HK$'000	31 December 2010 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**246,643**	241,435
CURRENT ASSETS			
Financial assets at fair value through profit or loss	19	**19**	38
Other receivables	21	**1,099**	–
Pledged bank deposits	22	**76,406**	–
Bank balances and cash		**151**	28,327
		77,675	28,365
CURRENT LIABILITIES			
Other payables	23	**486**	417
Bank borrowings	24	**60,000**	5,167
		60,486	5,584
NET CURRENT ASSETS		**17,189**	22,781
NET ASSETS		**263,832**	264,216
CAPITAL AND RESERVES			
Share capital	26	**30,242**	30,242
Reserves	27	**233,590**	233,974
TOTAL EQUITY		**263,832**	264,216

Approved and authorised for issue by the Board of Directors on 23 March 2012.

Chao Pang Fei	**Hui Hongyan**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$000	Capital reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Statutory surplus reserves HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	24,219	153,923	117	1,596	–	10,104	12,938	23,390	226,287	15,493	241,780
Dividend to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,801)	(1,801)
Transfer	–	–	–	–	–	2,752	–	(2,752)	–	–	–
Profit for the year	–	–	–	–	–	–	–	30,828	30,828	2,062	32,890
Other comprehensive income for the year											
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	9,329	–	9,329	615	9,944
Total comprehensive income for the year	–	–	–	–	–	–	9,329	30,828	40,157	2,677	42,834
Transactions with equity holders of the Company recognised directly in equity											
Equity settled share-based transactions	–	–	–	843	–	–	–	–	843	–	843
Exercise of share options	1,180	5,198	–	(1,424)	–	–	–	–	4,954	–	4,954
Interim dividends to equity holders	–	(5,000)	–	–	–	–	–	(15,318)	(20,318)	–	(20,318)
Placing of new shares, net of expenses	4,843	77,519	–	–	–	–	–	–	82,362	–	82,362
At 31 December 2010 and 1 January 2011	30,242	231,640	117	1,015	–	12,856	22,267	36,148	334,285	16,369	350,654
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,985)	(2,985)
Additional capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	246	246
Transfer	–	–	–	–	–	2,837	–	(2,837)	–	–	–
Loss for the year	–	–	–	–	–	–	–	(19,636)	(19,636)	533	(19,103)
Other comprehensive income for the year											
Exchange difference arising from translation of foreign operations	–	–	–	–	–	–	13,575	–	13,575	710	14,285
Total comprehensive loss for the year	–	–	–	–	–	–	13,575	(19,636)	(6,061)	1,243	(4,818)
Transactions with equity holders of the Company recognised directly in equity											
Equity settled share-based transactions	–	–	–	631	–	–	–	–	631	–	631
Placing of unlisted warrants, net of expenses	–	–	–	–	254	–	–	–	254	–	254
At 31 December 2011	30,242	231,640	117	1,646	254	15,693	35,842	13,675	329,109	14,873	343,982

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	2011 *HK$'000*	2010 *HK$'000*
(Loss) Profit before tax	**(14,277)**	43,484
Exchange difference	**2,273**	1,107
Interest expenses	**9,305**	7,139
Depreciation of property, plant and equipment	**21,265**	19,481
Amortisation of lease premium for land	**607**	578
Impairment loss on goodwill	**28,720**	–
Interest income	**(1,343)**	(200)
Loss (Gain) on disposal of property, plant and equipment	**961**	(749)
Loss on disposal of financial assets at fair value through profit or loss	**30**	–
Reversal of allowance for trade receivables	**(84)**	–
Fair value change of financial assets at fair value through profit or loss	**455**	12
Equity-settled share-based payments	**631**	843
Changes in working capital:		
Financial assets at fair value through profit or loss	**(6,023)**	–
Inventories	**(3,056)**	(3,573)
Trade and other receivables	**(77,997)**	(36,962)
Trade and other payables	**5,797**	610
Cash (used in) generated from operations	**(32,736)**	31,770
Interest received	**1,343**	200
Income tax paid	**(8,021)**	(11,165)
Net cash (used in) generated from operating activities	**(39,414)**	20,805
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(25,390)**	(21,996)
Proceeds from disposal of property, plant and equipment	**1,510**	5,671
Increase in pledged bank deposits	**(76,406)**	–
Payment for lease premium for land	**–**	(4)
Net cash used in investing activities	**(100,286)**	(16,329)
FINANCING ACTIVITIES		
Dividend paid	**–**	(22,119)
Proceeds from placing of unlisted warrants	**254**	–
Placing of new shares, net of expenses	**–**	82,362
Proceeds from shares issued upon exercise of share options	**–**	4,954
Capital injection by non-controlling interests	**246**	–
Dividend paid to non-controlling interests	**(2,985)**	–
New bank and other borrowings raised	**187,717**	120,989
Repayment of bank and other borrowings	**(98,525)**	(103,502)
Interest paid	**(9,305)**	(7,139)
Net cash from financing activities	**77,402**	75,545
Net (decrease) increase in cash and cash equivalents	**(62,298)**	80,021
Effect on exchange rate changes	**793**	537
Cash and cash equivalents at beginning of reporting period	**95,923**	15,365
Cash and cash equivalents at end of reporting period, represented by bank balances and cash	**34,418**	95,923

Notes to the Consolidated Financial Statements

Year ended 31 December 2011

1. CORPORATE INFORMATION

Sino Haijing Holdings Limited is a limited liability company incorporated in the Cayman Islands on 8 July 2002 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of this annual report.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are detailed in note 18 to the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

a) BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 consolidated financial statements, except for the adoption of the following new/revised HKFRS that are relevant to the Group effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity;

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

Improvements to HKFRSs 2010 – Improvements to HKFRSs 2010

The improvements comprise a number of improvements to HKFRSs including the following that are considered to be relevant to the Group:

Amendments to HKFRS 3 (Revised) Business Combinations

The Amendments clarify the transitional requirements for contingent consideration from a business combination that occurred before the effective date of HKFRS 3 (Revised) and specify that the application guidance in HKFRS 3 (Revised) applies to all unexpired share-based payment awards that form part of a business combination, regardless of whether the acquirer is obliged to replace the award. They also clarify that only the entity with present ownership instruments that entitle their holders to a pro rata share of the entity's net assets in the event of liquidation can choose to measure the non-controlling interests at fair value or the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Amendments to HKAS 1 (Revised): Presentation of Financial Statements: Clarification of statement of changes in equity

The Amendments clarify that the reconciliation of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the reconciliation of each component of other comprehensive income in the statement of changes in equity.

Other than those specified above, the adoption of the above amendments does not have an effect on the financial statements.

b) BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, is measured initially either at fair value or at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d) SUBSIDIARIES

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's statement of financial position, an investment in subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

e) GOODWILL

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

In respect of a subsidiary, any excess of the acquisition amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings and leasehold improvements	5 to 20 years
Plant and machinery	5 to 10 years
Furniture and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Moulds	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

g) CONSTRUCTION-IN-PROGRESS

Construction-in-progress is stated at cost. Cost comprises all direct and indirect cost of construction. Construction-in-progress is transferred to property, plant and equipment and depreciation commences when construction is completed and the asset is put into use.

h) LEASE PREMIUM FOR LAND

Lease premium for land is up-front payment to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premium is stated at cost and is amortised over the period of the lease on a straight-line basis to the profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

ii. Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS *(Continued)*

iii. Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

iv. Financial liabilities

The Group's financial liabilities include trade and other payables and bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

j) CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

k) REVENUE RECOGNITION

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

Sale of packaging materials is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts and returns.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's subsidiaries 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 the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and

All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

m) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n) IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are not yet available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

o) BORROWING COSTS

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

q) GOVERNMENT GRANTS

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

r) LEASES

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

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

s) EMPLOYEE BENEFITS

i. Short-term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions to the state-managed retirement benefit schemes in jurisdictions other than Hong Kong, which are calculated on certain percentages of the applicable payroll costs, are charged as expense when employees have rendered services entitling them to the contributions.

t) SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using Black-Scholes option pricing model, taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the years in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award. During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

u) TAXATION

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) RELATED PARTIES

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

w) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

x) WARRANTS

The issue of warrants will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments. When the warrants are subscribed, the fair value of the consideration received is recognised in a reserve within equity.

The fair value of the warrant is recognised in a reserve within equity until either the warrant is exercised (when it is transferred to the share premium account) or the warrant expires (when it is released directly to retained profits).

3. FUTURE CHANGES IN HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKFRS 1 (Revised)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets [1]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [2]
Amendments to HKAS 1 (Revised)	Presentation of items of other comprehensive income [3]
HKAS 19 (2011)	Employee Benefits [4]
HKAS 27 (2011)	Separate Financial Statements [4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [4]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated financial statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosures of Interests with Other Entities [4]
HKFRS 13	Fair value measurement [4]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of A Surface Mine [4]
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities [4]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [5]
HKFRS 9	Financial Instruments [6]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

i) KEY SOURCES OF ESTIMATION UNCERTAINTY

a) *Impairment of receivables*

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance may be required.

b) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the carrying amount of the cash-generating unit exceeds its recoverable amount, additional impairment allowance may be required.

c) *Estimated net realisable value of inventories*

The Group's management writes down for slow moving or obsolete inventories based on assessment of the net realisable value of the inventories. Inventory will be written down where events or changes in circumstances indicate that the net realisable value is below cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

i) KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

d) Useful lives of property, plant and equipment

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of usage and maintenance, which could affect the related depreciation charges included in profit or loss.

ii) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

5. TURNOVER

Turnover represents the sale of packaging materials, which excludes value-added tax and other sales taxes, and is stated after deduction of all goods returns and trade discounts.

6. SEGMENT REPORTING

a) SEGMENT REVENUE, RESULTS, ASSETS AND LIABILITIES

The Group is principally engaged in the manufacture and sale of packaging materials in the People's Republic of China ("PRC"). The Group's chief operating decision makers, the executive directors, regularly review their consolidated financial information to assess the performance and make resource allocation decisions. Accordingly, there is only one operating segment for the Group and no segmental revenue, results, assets and liabilities are presented.

b) GEOGRAPHICAL INFORMATION

The geographical location of customers is based on the location at which the goods are delivered. Substantially, all of the Group's revenue from external customers and non-current assets are located in the PRC. Therefore, no analysis on revenue from external customers and non-current assets by location are presented.

6. SEGMENT REPORTING *(Continued)*

c) INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from external customers contributing over 10% of the total revenue from the Group's sole operating segment of sale of packaging materials in the PRC are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Customer A	182,390	154,122
Customer B	88,740	80,226
Customer C	–	67,813
	271,130	302,161

7. OTHER REVENUE AND OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Other revenue		
Interest income	1,343	200
Other income		
Government grants	2,687	3,056
Sale of raw materials and scrap products	888	1,189
Sale of steam	704	756
Compensation received from suppliers	390	760
Net (loss) gain on disposal of property, plant and equipment	(961)	749
Net exchange gain	3,254	139
Sundry income	7	8
	6,969	6,657
	8,312	6,857

8. (LOSS) PROFIT BEFORE TAX

This is stated after charging (crediting):

	2011 HK$'000	2010 HK$'000
a) FINANCE COSTS:		
Interest on bank and other borrowings wholly repayable within five years	9,305	7,139
b) STAFF COSTS (DIRECTORS' EMOLUMENTS INCLUDED):		
Salaries, wages and other benefits	39,150	31,406
Equity settled share-based payment expenses	631	843
Contribution to defined contribution retirement plans	2,433	2,480
	42,214	34,729
c) OTHER ITEMS:		
Amortisation of lease premium for land	607	578
Auditor's remuneration	570	550
Cost of inventories *(Note)*	448,046	420,918
Depreciation of property, plant and equipment	21,265	19,481
Fair value change of financial assets at fair value through profit or loss	455	12
Impairment loss on goodwill included in administrative and other operating expenses	28,720	–
Net loss on disposal of financial assets at fair value through profit or loss	30	–
Operating lease charges on rented premises	5,785	5,665
Reversal of allowance for trade receivables	(84)	–

Note: Cost of inventories includes HK$50,257,057 (2010: HK$41,455,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2010: nine) directors were as follows:

		Other emoluments			
Name of director	Fees	Salaries, allowances and other benefits	Retirement scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Chao Pang Fei ("Mr. Chao")	–	360	12	–	372
Wang Yi	–	351	10	126	487
Hui Hongyan	–	261	9	73	343
Deng Chuangping	–	225	–	90	315
Non-executive director					
Lan Yu Ping	96	–	–	–	96
Independent Non-executive Directors					
Ho Ka Wing	96	–	–	–	96
Sin Ka Man	96	–	–	–	96
Chen Hongfang	96	–	–	–	96
Total for 2011	**384**	**1,197**	**31**	**289**	**1,901**
Executive Directors					
Chao Pang Fei ("Mr. Chao")	–	360	12	–	372
Wang Yi	–	379	11	148	538
Hui Hongyan	–	252	9	87	348
Deng Chuangping	–	279	9	107	395
Non-executive director					
Lan Yu Ping	78	–	–	–	78
Independent Non-executive Directors					
Ho Ka Wing	78	–	–	–	78
Cheng Yun Ming, Matthew	64	–	–	–	64
Sin Ka Man	78	–	–	–	78
Chen Hongfang	8	–	–	–	8
Total for 2010	306	1,270	41	342	1,959

The executive directors of the Company are regarded as the key management personnel of the Group for disclosure purposes.

No emolument was paid by the Group to any directors as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2011 and 2010.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four (2010: four) directors are included in the five highest paid individuals of the Group. The emoluments of the remaining one (2010: one) highest paid individual, who is an employee of the Group, are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Basic salaries, allowances and other benefits in kind	**1,058**	894
Share-based payments	**61**	72
Retirement benefits scheme contributions	**12**	12
	1,131	978

11. TAXATION

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits for both current and prior year. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	2011 *HK$'000*	2010 *HK$'000*
Current tax		
PRC enterprise income tax ("PRC EIT")		
– Current year	**4,623**	10,958
– Underprovision in prior year	**270**	275
Deferred tax *(note 25(a))*	**(67)**	(639)
Tax expense for the year	**4,826**	10,594

11. TAXATION *(Continued)*

RECONCILIATION OF TAX EXPENSE

	2011 *HK$'000*	2010 *HK$'000*
(Loss) Profit before tax	**(14,277)**	43,484
Tax at a weighted average rate of 27% (2010: 28.9%) applicable to the jurisdictions concerned	**(3,857)**	12,585
Non-deductible expenses	**7,854**	956
Non-taxable income	**(241)**	(75)
Effect on tax incentives/holiday	**(271)**	(2,215)
Unrecognised temporary differences	**1,071**	(406)
Reversal of provision for withholding tax on distributable profits of PRC subsidiaries	**–**	(575)
Under-provision of PRC EIT in prior year	**270**	275
Others	**–**	49
Tax expense for the year	**4,826**	10,594

12. (LOSS) PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated (loss) profit attributable to equity holders of the Company includes a loss of HK$1,269,000 (2010: HK$42,259,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2011 *HK$'000*	2010 *HK$'000*
Interim dividends (2010: HK4 cents per share)	**–**	20,318

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

14. (LOSS) EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
(Loss) Profit attributable to equity holders of the Company	(19,636)	30,828

	2011 Number of shares '000	2010 Number of shares '000 (Restated)
Issued ordinary shares at 1 January	604,840	484,380
Effect of shares subdivision *(Note (a))*	604,840	484,380
Effect of share options exercised	–	11,208
Effect of placing of new shares	–	7,962
Weighted average number of ordinary shares for basic (loss) earnings per share	1,209,680	987,930
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's share option scheme	27,260	24,520
Weighted average number of ordinary shares for diluted (loss) earnings per share	1,236,940	1,012,450
(Loss) Earnings per share:		
– Basic	(1.62 cents)	3.12 cents
– Diluted	(1.59 cents)	3.04 cents

Note (a): The number of ordinary shares adopted in the calculation of the basic and diluted (loss) earnings per share for the year of 2011 and 2010 has been adjusted to reflect the impact of the share subdivision effected during the respective years. The number of ordinary shares in 2010 has also been restated to reflect the effect of the share subdivision effected in 2011 on a retrospective basis.

Note (b): The computation of diluted (loss) earnings per share does not assume the exercise of the Company's unlisted warrants because the exercise price of the Company's unlisted warrants was higher than the average market price of the shares of the Company during the period under review.

15. PROPERTY, PLANT AND EQUIPMENTS

GROUP

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost								
At 1 January 2011	**31,065**	**706**	**67,281**	**8,662**	**7,800**	**43,466**	**11,420**	**170,400**
Exchange realignment	**1,834**	**25**	**4,373**	**582**	**488**	**2,449**	**352**	**10,103**
Additions	**893**	**–**	**6,787**	**2,255**	**1,559**	**10,680**	**3,216**	**25,390**
Transfer	**11,311**	**–**	**155**	**316**	**–**	**–**	**(11,782)**	**–**
Disposals	**–**	**–**	**(2,145)**	**(75)**	**(199)**	**(1,059)**	**–**	**(3,478)**
At 31 December 2011	**45,103**	**731**	**76,451**	**11,740**	**9,648**	**55,536**	**3,206**	**202,415**
Accumulated depreciation and impairment								
At 1 January 2011	**3,708**	**245**	**23,815**	**3,108**	**2,566**	**18,126**	**–**	**51,568**
Exchange realignment	**350**	**4**	**2,403**	**307**	**246**	**1,240**	**–**	**4,550**
Charge for the year	**1,904**	**52**	**7,713**	**1,729**	**1,583**	**8,284**	**–**	**21,265**
Written back on disposals	**–**	**–**	**(577)**	**(62)**	**(148)**	**(220)**	**–**	**(1,007)**
At 31 December 2011	**5,962**	**301**	**33,354**	**5,082**	**4,247**	**27,430**	**–**	**76,376**
Net book value								
At 31 December 2011	**39,141**	**430**	**43,097**	**6,658**	**5,401**	**28,106**	**3,206**	**126,039**
Cost								
At 1 January 2010	29,520	272	60,903	6,466	6,686	34,873	10,519	149,239
Exchange realignment	1,193	14	3,199	379	338	1,620	396	7,139
Additions	352	–	6,249	1,700	2,132	8,436	3,127	21,996
Transfer	–	420	1,726	476	–	–	(2,622)	–
Disposals	–	–	(4,796)	(359)	(1,356)	(1,463)	–	(7,974)
At 31 December 2010	31,065	706	67,281	8,662	7,800	43,466	11,420	170,400
Accumulated depreciation and impairment								
At 1 January 2010	2,018	168	15,646	1,957	1,845	10,554	–	32,188
Exchange realignment	217	2	1,632	196	172	732	–	2,951
Charge for the year	1,473	75	8,140	1,158	1,528	7,107	–	19,481
Written back on disposals	–	–	(1,603)	(203)	(979)	(267)	–	(3,052)
At 31 December 2010	3,708	245	23,815	3,108	2,566	18,126	–	51,568
Net book value								
At 31 December 2010	27,357	461	43,466	5,554	5,234	25,340	11,420	118,832

The Group's buildings are located outside Hong Kong and held under medium-term leases.

16. LEASE PREMIUM FOR LAND

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount		
At beginning of reporting period	**25,925**	25,581
Exchange realignment	**1,192**	918
Additions	**–**	4
Amortisation	**(607)**	(578)
At end of reporting period	**26,510**	25,925
Outside Hong Kong, held under:		
Medium-term lease	**26,510**	25,925
Analysed for reporting purposes as:		
Current asset	**576**	551
Non-current asset	**25,934**	25,374
	26,510	25,925

17. GOODWILL

	Group	
	2011	2010
	HK$'000	*HK$'000*
Reconciliation of carrying amount:		
At beginning of reporting period	**70,186**	67,717
Exchange realignment	**2,661**	2,469
Impairment loss	**(28,720)**	–
At end of reporting period	**44,127**	70,186
Cost	**72,847**	70,186
Accumulated impairment losses	**(28,720)**	–
	44,127	70,186

The carrying amounts of goodwill net of any impairment loss as at 31 December 2011 is attributable to the Group's cash-generating unit ("CGU") of manufacturing and sale of paper honeycomb and expandable polystyrene ("EPS") packaging materials.

The recoverable amount of goodwill has been determined on the basis of a value in use calculation. Its recoverable amount is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a period of 3 to 4 years, and a discount rate of 14.69% (2010: 14.90%). The discount rates used are pre-tax and reflect specific rates relating to the relevant segment. The cash flows beyond the period of 3 to 4 years is extrapolated using zero growth rate (2010: zero growth rate). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period are also based on the expected sale of packaging materials during the budget period. Expected cash inflows/outflows, which include the sale of packaging materials have been determined based on past performance and management's expectations for the market development.

The recoverable amount of the CGU is less than its carrying amount. Accordingly, the goodwill was impaired by HK$28,720,000 (2010: Nil) during the year. The impairment loss recognised has been included in the "administrative and other operating expenses" in the consolidated statement of comprehensive income.

The directors consider the major factors contributing to the impairment of goodwill are the continuous downturn of the property market in the PRC resulting in significantly reduced demand for household electrical appliances and the continuous rise of operating costs.

18. INTERESTS IN SUBSIDIARIES

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	**11**	11
Due from subsidiaries	**247,869**	242,661
	247,880	242,672
Less: Impairment loss	**(1,237)**	(1,237)
	246,643	241,435

The amounts due from subsidiaries included in the Company's non-current assets are unsecured, non-interest-bearing and not repayable within one year. None of the subsidiaries had issued any debt securities at the end of the reporting period.

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

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Loyal Pacific International Limited	Hong Kong	Hong Kong	10,000 ordinary shares of HK$1	100%	100%	–	Inactive
Great Prospect Enterprises Limited	BVI	Hong Kong	100 ordinary shares of US$1	100%	100%	–	Investment holding
Topgoal Investment Development Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
合肥啟鵬紙制品有限公司	PRC	PRC	RMB14,000,000	100%	–	100%	Manufacturing of packaging materials
Wisdom Sun International Limited	BVI	Hong Kong	100 ordinary shares of US$1	100%	–	100%	Investment holding
Wise Star Group Holdings Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
Honor Glory International Investment Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
青島海景包裝制品有限公司	PRC	PRC	RMB20,000,000	100%	–	100%	Manufacturing of EPS packaging products
青島新海景包裝制品有限公司	PRC	PRC	RMB10,000,000	100%	–	100%	Manufacturing of EPS packaging products
合肥海景包裝制品有限公司	PRC	PRC	RMB55,000,000 (2010: RMB15,000,000)	100%	–	100%	Manufacturing of EPS packaging products
青島海景模具制品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of moulds products
青島海鴻環保包裝科技有限公司	PRC	PRC	RMB3,000,000	100%	–	100%	Manufacturing of packaging materials
大連海景包裝製品有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Manufacturing of EPS packaging products
海景包裝設計開發(惠州)有限公司	PRC	PRC	RMB1,000,000	100%	–	100%	Inactive
Dragon Vault International Limited	BVI	Hong Kong	100 ordinary shares of US$1	100%	–	100%	Investment holding
Yearfull International Investment Limited	Hong Kong	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
合肥榮豐包裝制品有限公司 (formerly合肥美菱榮豐包裝制品有限公司)	PRC	PRC	RMB30,000,000	65%	–	65%	Manufacturing of EPS packaging products
濟南海景包裝有限公司	PRC	PRC	RMB500,000	60%	–	60%	Provision of integrated packagingsolutionsand production of cushion packaging products for the export of automotives and related components

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held-for-trading equity securities (at market value)				
Listed in Hong Kong	**19**	38	**19**	38
Listed outside Hong Kong	**5,557**	–	**–**	–
	5,576	38	**19**	38

20. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials and consumables	**10,243**	9,209
Work-in-progress	**896**	1,340
Finished goods	**9,485**	6,239
	20,624	16,788

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills receivables	**303,088**	212,077	**–**	–
Less: Allowance for trade receivables *(Note 21(b))*	**(88)**	(167)	**–**	–
	303,000	211,910	**–**	–
Other receivables	**3,121**	2,227	**1,099**	–
Prepayments and deposits	**12,837**	16,056	**–**	–
	318,958	230,193	**1,099**	–

a) The normal credit period granted to the customers of the Group is 60 to 90 days (2010: 60 to 90 days). The ageing analysis of the trade and bills receivables at the end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**283,332**	201,340
Over 3 months but within 6 months	**17,353**	10,028
Over 6 months but within 1 year	**2,305**	202
Over 1 year	**98**	507
	303,088	212,077
Less: Allowance for trade receivables	**(88)**	(167)
	303,000	211,910

21. TRADE AND OTHER RECEIVABLES *(Continued)*

b) Allowance for trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in allowance for trade receivables during the year is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At beginning of reporting period	**167**	161
Exchange realignment	**5**	6
Decrease in allowance	**(84)**	–
At end of reporting period	**88**	167

c) The ageing analysis of trade and bills receivables by past due date that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**283,332**	201,340
Less than 3 months past due	**17,353**	10,028
3 months to 1 year past due	**2,305**	202
Over 1 year past due	**10**	340
Past due but not impaired	**19,668**	10,570
	303,000	211,910

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

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

22. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Company had pledged bank deposits, which carried interest at prevailing market rate, amounting to HK$76,406,000 (2010: Nil) to banks for securing a revolving loan facility granted to the Company.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**63,300**	53,043	**–**	–
Bills payables	**51,009**	51,801	**–**	–
	114,309	104,844	**–**	–
Amount due to a related company *(Note 23(b))*	**–**	85	**–**	–
Other payables	**11,658**	9,926	**486**	417
	125,967	114,855	**486**	417

a) The aging analysis of trade and bills payables at the end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**90,056**	73,351
Over 3 months but within 6 months	**22,644**	29,131
Over 6 months but within 1 year	**583**	1,282
Over 1 year	**1,026**	1,080
	114,309	104,844

b) The amount due to a related company was interest-free, unsecured and has no fixed repayment term. The related company is a company controlled by Mr. Chao.

24. BANK AND OTHER BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current				
Bank borrowings – secured	**152,206**	61,203	**60,000**	5,167
Other borrowings – secured	**28,690**	24,735	**–**	–
Other borrowings – unsecured	**–**	1,589	**–**	–
	180,896	87,527	**60,000**	5,167

In 2010, bank borrowings of HK$5,167,000 with a clause in their terms that gave the lender an overriding right to demand payment without notice or with notice period of less than 12 months at its sole discretion, were classified as current liabilities even though the directors did not expect the lender would exercise their rights to demand payment. Following the restructuring of bank borrowings during the year ended 31 December 2011, these bank borrowings were repaid during the year.

At 31 December 2011, the amounts due based on the scheduled repayment dates set out in the loan agreements ignoring the effect of any repayment on demand clause would be as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings				
Within one year or on demand	**152,206**	57,436	**60,000**	1,400
After 1 year but within 2 years	**–**	1,400	**–**	1,400
After 2 years but within 5 years	**–**	2,367	**–**	2,367
	152,206	61,203	**60,000**	5,167
Other borrowings within one year or on demand	**28,690**	26,324	**–**	–
	180,896	87,527	**60,000**	5,167

24. BANK AND OTHER BORROWINGS *(Continued)*

The Group's secured other borrowings are interest-bearing at fixed or variable interest rates. The ranges of effective interest rates on the Group's borrowings are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Effective interest rates per annum				
Bank borrowings – secured	**1.69% to 8.53%**	2.70% to 6.97%	**1.69%**	2.70%
Other borrowings – secured	**6.41% to 6.71%**	6.10% to 6.39%	**N/A**	N/A

The Group's unsecured other borrowings in 2010, included borrowing from a director of HK$1,294,000, were interest-free and repaid during the year.

Bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**120,896**	82,360	**–**	–
Hong Kong dollars	**60,000**	5,167	**60,000**	5,167
	180,896	87,527	**60,000**	5,167

The bank and other borrowings were secured by:

(a) the Group's buildings with a carrying value of approximately HK$39,141,000 (2010: HK$27,357,000);

(b) certain of the Group's lease premium for land with a carrying value of approximately HK$26,510,000 (2010: HK$18,878,000);

(c) certain of the Group's trade and other receivables with a carrying value of approximately HK$41,009,000 (2010: HK$31,824,000);

(d) personal guarantee of Mr. Chao and corporate guarantee of an independent third party; and

(e) pledged bank deposits carried interest at prevailing market rate of HK$76,406,000 (2010: Nil).

25. DEFERRED TAX LIABILITIES

a) Deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Group		
	Fair value adjustment on lease premium for land *HK$'000*	Withholding taxes *HK$'000*	Total *HK$'000*
At 1 January 2010	2,685	569	3,254
Credit to profit or loss	(64)	(575)	(639)
Exchange realignment	97	6	103
At 31 December 2010 and 1 January 2011	2,718	–	2,718
Credit to profit or loss	(67)	–	(67)
Exchange realignment	125	–	125
At 31 December 2011	2,776	–	2,776

In March 2007, the National People's Congress enacted a new Enterprise Income tax Law, which became effective on 1 January 2008 (the "New PRC EIT Law"). Pursuant to the New PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax liabilities are provided to the extent that such earnings are estimated to be distributable in the foreseeable future. At the end of the reporting period, the estimated witholding tax effects on the distribution of retained earnings of the subsidiaries established in Mainland China were approximately HK$2,143,000 (2010: HK$1,883,000). The directors of the Company are of the opinion that no dividends would be distributed by its subsidiaries established in Mainland China in the foreseeable future and therefore no deferred tax liabilities are provided.

25. DEFERRED TAX LIABILITIES *(Continued)*

b) Deferred tax assets not recognised

Deferred tax assets are to be recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group had unrecognised deferred tax assets in respect of the tax losses. As it is not probable that taxable profits will be available against which the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised. The expiry dates of unrecognised tax losses are as follows:

	2011	2010
	HK$'000	*HK$'000*
Tax losses without expiry date	**2,522**	499
Tax losses expiring on 31 December 2016	**1,358**	–
Tax losses expiring on 31 December 2015	**293**	311
Tax losses expiring on 31 December 2014	**1,061**	1,014
Tax losses expiring on 31 December 2013	**846**	808
	6,080	2,632

26. SHARE CAPITAL

		Group and Company			
		2011		2010	
	Note	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:					
Ordinary shares of HK$0.025 each (2010: HK$0.05each)		4,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:					
At beginning of the reporting period		604,840,310	30,242	242,189,655	24,219
Shares subdivision	(a)	604,840,310	–	242,189,655	–
Exercise of share options		–	–	23,591,000	1,180
Placing of new shares		–	–	96,870,000	4,843
At end of the reporting period		1,209,680,620	30,242	604,840,310	30,242

a) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 27 June 2011, every one issued and unissued ordinary share of HK$0.050 each in the share capital of the Company is subdivided into 2 shares of HK$0.025 each. Upon the share subdivision becoming effective on 28 June 2011, the authorised share capital of the Company became HK$100,000,000 divided into 4,000,000,000 subdivided shares, of which 1,209,680,620 subdivided shares are in issue and fully paid.

b) On 8 July 2011, the Company entered into a placing agreement with the placing agent to place 192,000,000 warrants at a placing price of HK$0.002 per warrant. The warrants entitle the holders of warrants to subscribe for the shares of the Company, the subscription price of HK$0.35 per warrant share for a period of 12 months from the date of issue of the warrants. On 21 July 2011, the Company completed the placing of the warrants to not less than six independent placees. During the year, no warrants were exercised or expired.

27. RESERVES

GROUP

	Share premium HK$000 (Note (a))	Capital reserve HK$'000 (Note (b))	Share options reserve HK$'000 (Note (c))	Warrants reserve HK$'000 (Note (g))	Statutory surplus reserve HK$'000 (Note (d))	Translation reserve HK$'000 (Note (e))	Retained profits HK$'000	Total HK$'000
At 1 January 2010	153,923	117	1,596	–	10,104	12,938	23,390	202,068
Transfer	–	–	–	–	2,752	–	(2,752)	–
Total comprehensive income for the year	–	–	–	–	–	9,329	30,828	40,157
Transactions with equity holders of the Company recognised directly in equity								
Equity settled share-based transactions	–	–	843	–	–	–	–	843
Exercise of share options	5,198	–	(1,424)	–	–	–	–	3,774
Interim dividends paid	(5,000)	–	–	–	–	–	(15,318)	(20,318)
Placing of new shares, net of expenses	77,519	–	–	–	–	–	–	77,519
At 31 December 2010 and 1 January 2011	231,640	117	1,015	–	12,856	22,267	36,148	304,043
Transfer	–	–	–	–	2,837	–	(2,837)	–
Total comprehensive loss for the year	–	–	–	–	–	13,575	(19,636)	(6,061)
Transactions with equity holder of the Company recognised directly in equity								
Equity settled share-based transactions	–	–	631	–	–	–	–	631
Placing of unlisted warrant, net of expenses	–	–	–	254	–	–	–	254
At 31 December 2011	231,640	117	1,646	254	15,693	35,842	13,675	298,867

27. RESERVES *(Continued)*

COMPANY

	Share premium HK$'000 (Note (a))	Share options reserve HK$'000 (Note (c))	Warrants reserve HK$'000 (Note (g))	Contributed surplus HK$'000 (Note (f))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	153,923	1,596	–	8,467	(34,089)	129,897
Profit for the year	–	–	–	–	42,259	42,259
Transactions with equity holders of the Company recognised directly in equity						
Equity settled share-based transactions	–	843	–	–	–	843
Exercise of share options	5,198	(1,424)	–	–	–	3,774
Placing of new shares, net of expenses	77,519	–	–	–	–	77,519
Interim dividend paid	(5,000)	–	–	(8,350)	(6,968)	(20,318)
At 31 December 2010 and 1 January 2011	231,640	1,015	–	117	1,202	233,974
Loss for the year	–	–	–	–	(1,269)	(1,269)
Transactions with equity holders of the Company recognised directly in equity						
Equity settled share-based transactions	–	631	–	–	–	631
Placing of unlisted warrants, net of expenses *(note (g))*	–	–	254	–	–	254
At 31 December 2011	231,640	1,646	254	117	(67)	233,590

27. RESERVES *(Continued)*

(a) SHARE PREMIUM

Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

(b) CAPITAL RESERVE

Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Company reorganisation in 2003.

(c) SHARE OPTIONS RESERVE

Share options reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and directors of the Company.

(d) STATUTORY SURPLUS RESERVE

According to the articles of association of the PRC subsidiaries, they are required to transfer at least 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of their registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous year's losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(e) TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

27. RESERVES *(Continued)*

(f) CONTRIBUTED SURPLUS

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Company reorganisation in 2003. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(g) WARRANTS RESERVE

Warrants reserve represents the proceeds received from the placing of unlisted warrants of the Company. The reserve will be transferred to share premium accounts upon exercise of the warrants.

(h) DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2011 available for distribution to shareholders are HK$231,690,000 (2010: HK$232,959,000).

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 6 June 2003, the Company adopted a share option scheme (the "Share Option Scheme") to enable the Company to grant options to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The Share Option Scheme shall continue in force for the period commencing from 6 June 2003 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

Under the Share Option Scheme, the directors of the Company may offer to any employees or any person who has contributions to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares in the Company in accordance with the terms of the Share Option Scheme.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall not, when aggregate with any shares subject to any other schemes, exceed such number of shares representing 10% of the issued shares as at the date of approval of the Share Option Scheme, which shall be equivalent to 24,218,965 shares. The Company may seek approval from the shareholders in a general meeting to refresh the Share Option Scheme. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit must not exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme.

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

Under the Share Option Scheme, the Company granted options to subscribe for 6,336,000 shares to its directors and 17,864,000 shares to its employees on 6 November 2009. Options granted must be taken up within 14 days of the date of grant, upon payment of HK$1 by each of the grantees. The first 50% of the option vest after the date of grant and are then exercisable within a period of four years and the remaining 50% of options vest after two years from the date of grant and are then exercisable within a period of two years.

Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) Movements in share options:

	Number of options	
	2011	2010
At beginning of reporting period	**23,739,000**	24,200,000
Effect of share subdivision	**23,077,000**	24,200,000
Exercised during the year	**–**	(23,591,000)
Cancelled/Lapsed during the year	**(2,386,000)**	(1,070,000)
At end of reporting period	**44,430,000**	23,739,000
Options vested at end of reporting period	**44,430,000**	74,000

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) Terms of unexpired and unexercised share options at the end of the reporting period:

			Number of options			
			Fully vested		Not yet vested	
Date of grant	**Exercise period**	**Exercise price** *HK$*	**2011**	2010	**2011**	2010
6 November 2009	6 November 2009 – 5 November 2013	0.105* (2010: 0.21)	–	74,000	–	–
6 November 2009	6 November 2011 – 5 November 2013	0.105* (2010: 0.21)	44,430,000	–	–	23,665,000
			44,430,000	74,000	–	23,665,000

* The exercise price of HK$0.105 in 2011 represents the adjusted exercise price upon the share subdivision becoming effective during the year.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) Details of the movement of share options granted during the years ended 31 December 2011 and 2010 to subscribe for the shares in the Company are as follows:

For the year ended 31 December 2011

	At 1 January 2011	Effect of share subdivision	Cancelled/ Lapsed during the year	At 31 December 2011
Directors				
– Mr. Wang Yi	**4,000,000**	**4,000,000**	**–**	**8,000,000**
– Mr. Hui Hongyan	**2,336,000**	**2,336,000**	**–**	**4,672,000**
– Mr. Deng Chuangping	**2,880,000**	**2,880,000**	**–**	**5,760,000**
Employees	**14,523,000**	**13,861,000**	**(2,386,000)**	**25,998,000**
	23,739,000	**23,077,000**	**(2,386,000)**	**44,430,000**
No. of exercisable options at end of reporting period				**44,430,000**
Weighted average exercise price				**HK$0.105**
Weighted average share price at date of exercise				**HK$0.39**

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(c) *(Continued)*

For the year ended 31 December 2010

	At 1 January 2010	Mr. Deng Chuangping appointed as director on 11 January 2010	Effect of share subdivision	Exercised during the year	Cancelled/ Lapsed during the year	At 31 December 2010
Directors						
– Mr. Wang Yi	4,000,000	–	4,000,000	(4,000,000)	–	4,000,000
– Mr. Hui Hongyan	2,336,000	–	2,336,000	(2,336,000)	–	2,336,000
– Mr. Deng Chuangping	–	2,880,000	2,880,000	(2,880,000)	–	2,880,000
Employees	17,864,000	(2,880,000)	14,984,000	(14,375,000)	(1,070,000)	14,523,000
	24,200,000	–	24,200,000	(23,591,000)	(1,070,000)	23,739,000
No. of exercisable options at end of reporting period						74,000
Weighted average exercise price						HK$0.21
Weighted average share price at date of exercise						HK$0.77

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

d) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the Black-Scholes option pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option pricing model.

	6 November 2009
Fair value of share options and assumptions	HK$0.1345
Inputs into the Black-Scholes option pricing model:	
Share price at grant date (Adjusted)	HK$0.095
Exercise price (Adjusted)	HK$0.105
Expected volatility	71.40%
Option life	1.5 to 2.5 years
Risk-free interest rate	0.5%
Expected dividends	–

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF") for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

30. OPERATING LEASE COMMITMENTS – AS LESSEE

The Group leases certain of its office premises under operating lease arrangements. The leases run for an initial period of one year to ten years, with an option to renew the lease when all terms are renegotiated. The terms of the lease require the lessee to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**4,265**	4,860
In the second to fifth year inclusive	**5,694**	9,945
	9,959	14,805

31. CAPITAL COMMITMENTS

The Group's authorised capital commitments outstanding at the end of the reporting period and not provided for in the financial statements are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Contracted but not provided for		
Construction of dormitory	**12,245**	–
Construction of production facilities	**15,769**	–
Purchase of property, plant and equipment	**9,788**	2,497
	37,802	2,497

32. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2011, the directors regard Haijing Holdings Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

The directors regard Mr. Chao Pang Fei through his direct shareholding in Haijing Holdings Limited as being the ultimate controlling party.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables and trade payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The policies on how management mitigates these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) CREDIT RISK

i) As at 31 December 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had certain concentration of credit risk as 18% (2010: 23.1%) and 39% (2010: 50.6%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

iii) The credit risk on liquid funds and bills receivable are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

iv) At the end of the reporting period, the Company had a concentration of credit risk of the amounts due from subsidiaries of which 93.3% (2010: 95.3%) was due from a subsidiary.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank and other borrowings as a significant source of funding. At 31 December 2011, the Group has HK$88,914,000 available un-utilised banking facilities (2010: HK$82,000,000).

The following liquidity tables set out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates at the end of the reporting period) and the earliest date the Group and the Company are required to pay:

Group

	2011			2010		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank and other borrowings	184,579	184,579	180,896	90,250	90,250	87,527
Trade and other payables	125,967	125,967	125,967	114,855	114,855	114,855
	310,546	310,546	306,863	205,105	205,105	202,382

Company

	2011			2010		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	60,113	60,113	60,000	5,413	5,413	5,167
Other payables	486	486	486	417	417	417
	60,599	60,599	60,486	5,830	5,830	5,584

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. Details of interest rates of the Group's and the Company's bank and other borrowings at the end of the reporting period are set out in note 24. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's result and financial position arising from volatility of interest rates.

The bank and other borrowings of the Group of HK$100,465,000 (2010: HK$23,545,000) which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and decrease/increase retained profits by approximately HK$804,310 (2010: decrease/increase profit after tax and retained profits by approximately HK$624,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest-bearing non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual date of the reporting period.

d) CURRENCY RISK

The Group has transactional currency exposure. Such exposure arises from trading transactions denominated in a currency other than the functional currency of an operating unit to which they relate. The Group has no significant foreign currency risk in its PRC operations as the carrying amounts of financial assets and liabilities are denominated in RMB.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

e) EQUITY PRICE RISK

The Group's equity securities are measured at fair value at the end of each reporting period with reference to the market price. Therefore, the Group is exposed to equity price risk and management monitors the price movements and takes appropriate actions when required.

The sensitivity analysis below has been determined assuming that a change in the corresponding equity prices had occurred at the end of the reporting period and had been applied to the equity securities in existence at that date. A change of 20% (2010: 6%) in stock price was applied at the end of the respective reporting period.

	2011		2010	
	20% increase in stock price *HK$'000*	**20% decrease in stock price** *HK$'000*	6% increase in stock price *HK$'000*	6% decrease in stock price *HK$'000*
Increase (Decrease) in profit or loss	**1,115**	**(1,115)**	2	(2)

f) FAIR VALUE DISCLOSURES

The following presents the carrying value of financial instruments measured at fair value at 31 December 2011 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

f) FAIR VALUE DISCLOSURES *(Continued)*

	Group and Company							
	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	HK$'000	HK$'000	HK$'000	HK$'000
Assets measured at fair value								
Financial assets at fair value through profit or loss	5,576	–	–	5,576	38	–	–	38

During the years ended 31 December 2011 and 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. The only movement in the Level 1 financial instruments was a fair value decrease of HK$455,000 (2010: HK$12,000), which has been recorded in profit and loss.

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010.

34. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

Financial Summary

Year ended 31 December 2011

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**520,067**	514,262	374,581	313,097	11,452
(Loss) Profit before tax	**(14,277)**	43,484	21,931	44,106	(8,167)
Income tax (expense) credit	**(4,826)**	(10,594)	(5,955)	(7,781)	60
(Loss) Profit for the year	**(19,103)**	32,890	15,976	36,325	(8,107)
Attributable to:					
Equity holders of the Company	**(19,636)**	30,828	14,602	34,793	(8,107)
Non-controlling interests	**533**	2,062	1,374	1,532	–
	(19,103)	32,890	15,976	36,325	(8,107)

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**653,621**	557,885	424,954	407,430	43,037
Total liabilities	**(309,639)**	(207,231)	(183,174)	(183,205)	(8,931)
	343,982	350,654	241,780	224,225	34,106
Attributable to:					
Equity holders of the Company	**329,109**	334,285	226,287	210,106	34,106
Non-controlling interests	**14,873**	16,369	15,493	14,119	–
	343,982	350,654	241,780	224,225	34,106

Major Properties Held by the Group

Year ended 31 December 2011

	Location	Existing use	Term of lease	Percentage of interest
1.	Factory Complex at the junction of Furong Road and Yuping Road, Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
2.	Factory Complex at Ziyun Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	100%
3.	Factory Complex at Wolong Road, Taohua Industrial Base Hefei Economic and Technological Development Zone, Hefei City, Anhui Province, the PRC	Industrial	Medium	65%