大中華實業控股有限公司

GREATER CHINA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 431

ANNUAL REPORT 2011

Contents

Corporate Information

Executive Directors

Ms. Ma Xiaoling *(Chairman)*
Ms. Chan Siu Mun

Non-executive Director

Mr. Chan Sze Hon

Independent Non-executive Directors and Audit Committee

Mr. Ching Men Ky, Carl
Mr. Lin Ruei Min
Mr. Shu Wa Tung, Laurence

Company Secretary

Ms. Chan Siu Mun

Auditors

HLM & Co.
Certified Public Accountants

Principal Bankers

Bank of China
The Hongkong and Shanghai Banking Corporation Limited

Legal Advisors

Sit, Fung, Kwong & Shum
Michael Cheuk, Wong & Kee

Head Office and Principal Place of Business

Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Share Registrars and Transfer Office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

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

Stock Code

431

Website

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

Chairman's Statement

On behalf of the board of directors (the "Board") of Greater China Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report for the year ended 31 December 2011.

Review of Operations

There were several significant changes for the Group in 2011. First of all was the completion of the port infrastructure co-operative agreement which contributed to a cash inflow of approximately HK$36,127,000 and greatly enhanced the financial position of the Group. Following this completion, the Group also disposed of its fertilizers and chemicals business in Zhuhai, the PRC due to the severe competition and decline in the business. At the same time, the Group commenced the trading business and continued to carry on the warehouse storage operation. As a result, a turnover of HK$184,187,000 (2010: HK$7,418,000) from the continuing operations and a net profit of HK$2,377,000 (2010: net loss of HK$30,130,000) was recorded.

Prospects

The Group will focus on the warehouse storage operation and the trading business and efforts will be put on improving the margins of both operations. Moreover, we target to improve the financial position of the Group by reducing the existing debt and increase the income source and profitability of the Group as a whole.

In addition, we also made a decision to dispose of a parcel of land with total site areas of approximately 200,000 square meters in Taicang City, Jiangsu Province, the PRC and a letter of intent was signed in March 2012. We hope that the disposal will generate positive cash inflow and thus to reduce the existing debt of the Group.

We will continue to explore various opportunities to improve the returns to the shareholders.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank our staff for their diligence, dedication, loyalty and integrity towards the Group. I would like to express my gratitude to our shareholders, customers and other business partners for their trust and support to the Group throughout the year.

Ma Xiaoling
Chairman
Hong Kong,

30 March 2012

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2011, turnover of the Group from the continuing operation amounted to HK$184,187,000 (2010: HK$7,418,000) which comprised of revenue from general trading segment of HK$176,107,000 (2010: nil) and revenue from industrial property development segment of HK$8,080,000 (2010: HK$7,418,000).

With the objective to broaden the operations of the Group and improve its profitability, the Group commenced its general trading business which included trading of goods such as fuel, metal materials, electronic parts, etc. during the year. In order to gain market share and build a customer base, the business is operated under a slim margin which resulted in a segment loss of HK$815,000 (2010: nil). The management is of the opinion that the margin will be improved once the operation is stable.

For the industrial property development segment, a segment profit of HK$17,211,000 (2010: segment loss of HK$17,898,000) was resulted. The profit is mainly due to the completion of the port infrastructure co-operative agreement entered into by the Group in December 2010 pursuant to which all the economic benefits arising from a port infrastructure project as well as the liabilities, taxes, costs and expenses incurred would be transferred to the counterpart of the agreement at a consideration of HK$36,127,000 (equivalent to RMB30,000,000) and a gain of HK$36,127,000 was recorded accordingly. The warehouse storage income remained stable as compared to previous year.

The fertilizers and chemicals segment was disposed of during the year. Turnover from the fertilizers and chemicals segment prior to its disposal amounted to HK$907,000 (2010: HK$1,959,000). Given the severe operating environment and the shrinkage of the turnover of the fertilizers and chemicals segment, the management considered that the disposal would streamline the operation and enhance the efficiency of the use in working capital of the Group. A profit of HK$3,104,000 was recorded from the discontinued operation (2010: loss of HK$4,070,000).

As a consequence of the disposal of the fertilizers and chemicals segment, the completion of the port infrastructure co-operative agreement, and the commencement of the new general trading business, the results of the Group as a whole improved significantly and a net profit of HK$2,377,000 (2010: net loss of HK$30,130,000) was recorded.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2011, the Group has current ratio of approximately 0.45 (2010: 0.19) and the gearing ratio of the Group was 0.68 (2010: 0.39). The calculation of gearing ratio was based on the total borrowings of HK$135,469,000 (2010: HK$75,269,000) and the equity attributable to equity holders of HK$199,647,000 (2010: HK$190,677,000).

Capital commitment in respect of the acquisition and construction of property, plant and equipment amounted to HK$63,555,000 (2010: HK$77,366,000).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars and Renminbi.

PROSPECTS

On 26 March 2012, the Group entered into a letter of intent with a third party pursuant to which both parties will negotiate to enter into a formal agreement to transfer the economic benefits and business risks associated with a parcel of land with total site area of approximately 200,000 square meters in Taicang City, Jiangsu Province, the PRC owned by the Group. The management is of the opinion that the proceeds from such disposal, if completed, will be used to reduce the existing bank borrowings of the Group and thus improve the financial position of the Group as a whole.

The management will focus on expanding the industrial property development segment in terms of turnover and profitability. The management would also closely monitor the business of general trading with the objective to improve its profitability and cash flow. At the same time, the management will continue to explore business opportunity to maximize the returns to the shareholders.

CHARGES ON ASSETS

As at 31 December 2011, prepaid lease payments and warehouse with the aggregate carrying amounts of HK$86,302,000 (2010: HK$84,939,000) and HK$165,689,000 (2010: nil) respectively were pledged against bank loans granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group has approximately 40 employees. Remuneration is determined by reference to their respective qualifications and experience and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

Biographical Details of Directors

Executive Directors

Ms. Ma Xiaoling, aged 36, is the Chairman of the Company since July 2005. Ms. Ma graduated from Lanzhou Commercial College in the People's Republic of China (the "PRC") in 1998 majoring in International Trade and obtained a Bachelor Degree in Economics. Ms. Ma has years of experience in property development and investments in the PRC and Hong Kong. Ms. Ma is the sole director and beneficial owner of Keenlead Holdings Limited, which is the controlling shareholder of the Company.

Ms. Chan Siu Mun, aged 37, was appointed as an executive director of the Company since March 2008. Ms. Chan holds a Bachelor of Business Administration (Accounting and Finance) degree from the University of Hong Kong. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan has over 13 years of experience in auditing, accounting and financial management. Before joining the Company, she worked in an international professional audit firm and a number of listed companies.

Non-executive Director

Mr. CHAN Sze Hon, aged 38, was appointed as executive director of the Company in July 2005 and re-designated to non-executive director since October 2008. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He has over 16 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. Mr. Chan is also an executive director of Fantasia Holdings Group Company Limited, a company listed on the Main Board of the Stock Exchange and an independent non-executive director of ERA Mining Machinery Limited, a company listed on the Growth Enterprise Market (the "GEM Board") of the Stock Exchange. During the period from 5 December 2007 to 23 November 2011, Mr. Chan was an independent non-executive director of China Mining Resources Group Limited, a company listed on the Main Board of the Stock Exchange and during the period from 7 September 2007 to 10 January 2012, Mr. Chan was an independent non-executive director of China AU Group Holdings Limited, a company listed on the GEM Board of the Stock Exchange.

Independent Non-executive Directors

Mr. Ching Men Ky, Carl, aged 67, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Tak Ming College with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from Beijing International Business School in the PRC. Mr. Ching has years of experience in business management. He has also been participating in various social activities and has been acting as the director of United World Chinese Association Limited and the director of Asian Professional Basketball Management and Development Company Limited. Mr. Ching is currently an executive director of Sino Union Petroleum & Chemical International Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. Lin Ruei Min, aged 68, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from the Department of Politics of Fu Hsing Kang College in Taiwan. Mr. Lin is currently the Chief Consultant of an asset management consultant company in Taiwan. He is the founder of Taiwan branch of United World Chinese Association Limited.

Mr. Shu Wa Tung, Laurence, aged 39, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Deakin University in Australia with a Bachelor Degree in Business majoring in Accounting. Mr. Shu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia. He has over 10 years of experience in audit, corporate finance and corporate advisory services. Mr. Shu is also an independent non-executive director of Perception Digital Holdings Limited and HL Technology Group Limited, whose shares are listed on the Main Board of the Stock Exchange.

Corporate Governance Report

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the transparency and accountability towards the shareholders. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the following deviations:

— Code 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.

Ms. Ma Xiaoling is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. Ma and believes that her appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

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

The non-executive director and the independent non-executive directors of the Company were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's Bye-laws.

The Board

The Board comprises two executive Directors, being Ms. Ma Xiaoling (Chairman), and Ms. Chan Siu Mun, one non-executive Director, being Mr. Chan Sze Hon and three independent non-executive Directors, being Mr. Ching Men Ky Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung Laurence.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence across the Board and has met the recommended practice under the Code on Corporate Governance for the Board to have at least one-third in number of its members comprising Independent Non-Executive Directors.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, but the day-to-day management is delegated to the two Executive Directors, Ms. Ma Xiaoling and Ms. Chan Siu Mun. Ms. Ma as Chairman and Chief Executive Officer heads the Board and implements the strategies and polices approved by the Board whilst Ms. Chan is responsible for the operations of the Group, in particular the finance function.

Board Meeting

The Board held 4 meetings during the year of 2011. The individual attendance record is as follows:

Directors	Number of attendance
Executive directors:	
Ms. Ma Xiaoling	4/4
Ms. Chan Siu Mun	4/4
Non-executive director:	
Mr. Chan Sze Hon	4/4
Independent non-executive directors:	
Mr. Ching Men Ky Carl	4/4
Mr. Lin Ruei Min	4/4
Mr. Shu Wa Tung Laurence	4/4

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by directors.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors whether the directors have complied with the required standard set out in the Model Code regarding directors' securities transactions and all directors confirmed that they have complied with the Model Code.

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee of the Company currently comprises three independent non-executive directors, including Mr. Ching Men Ky, Carl ("Mr. Ching"), Mr. Lin Ruei Min ("Mr. Lin") and Mr. Shu Wa Tung, Laurence ("Mr. Shu"). The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2011.

The audit committee meets twice during the year. The individual attendance record is as follows:

Directors	Number of attendance
Mr. Ching Men Ky, Carl	2/2
Mr. Lin Ruei Min	2/2
Mr. Shu Wa Tung, Laurence	2/2

Remuneration Committee

The Board has established a remuneration committee. The remuneration committee, currently comprising executive directors, Ms. Ma and Ms. Chan Siu Mun, non-executive director, Mr. Chan Sze Hon, and independent non-executive directors, Mr. Ching, Mr. Lin and Mr. Shu, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management members, as well as review and determine the remuneration of all executive directors and senior management members with reference to the Company's objectives from time to time.

Nomination of Directors

The Board considers the determination of the appointment and removal of directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code on Corporate Governance to set up a Nomination Committee. Instead, however, the Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a board meeting will then be convened to consider and discuss the nominated candidates(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

Auditors' Remuneration

For the year ended 31 December 2011, the total remuneration in respect of audit services paid and payable to the Company's auditors, HLM & Co., amounted to approximately HK$500,000.

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

Principal Activities

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 18.

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

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

Purchase, Sale and Redemption of the Listed Securities

During the year, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 81% and 98% of the Group's total revenue for the year respectively. The largest supplier and the five largest suppliers accounted for approximately 68% and 97% of the Group's purchases respectively.

None of the directors, their associates, or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

Directors' Report

Directors

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

Executive directors:

Ms. Ma Xiaoling *(Chairman)*
Ms. Chan Siu Mun

Non-executive director:

Mr. Chan Sze Hon

Independent non-executive directors:

Mr. Ching Men Ky, Carl
Mr. Lin Ruei Min
Mr. Shu Wa Tung, Laurence

In accordance with clauses 99(A) and 99(B) of the Company's Bye-laws, Mr. Chan Sze Hon and Mr. Ching Men Ky, Carl will retire and, being eligible, offer himself for re-election.

Independent non-executive directors are not appointed for a specific term. All directors (including non-executive director and independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-laws.

Directors' Service Contracts

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

Directors' Interests in Shares

As at 31 December 2011, the interests of the directors and chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name	Nature of interest	Number of shares held	Percentage to issued share capital
Ms. Ma Xiaoling	Corporate interests (Note)	120,212,256	40.09%

Note: Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 31 December 2011.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Arrangements to Purchase Shares or Debentures

Other than the share option scheme as disclosed in note 29 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

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

Interests of Substantial Shareholders

So far as is known to the directors, as at 31 December 2011, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	Note(s)	No. of shares held	Percentage to issued share capital
Keenlead Holdings Limited	1	120,212,256	40.09%
Ms. Ma Xiaoling	1	120,212,256	40.09%

Notes:

1. The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma Xiaoling.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 December 2011.

Emolument Policy

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme is set out in note 29 to the consolidated financial statements.

Pre-emptive Rights

There are no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

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

Auditors

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

On behalf of the Board

Ma Xiaoling
Chairman

Hong Kong, 30 March 2012

Independent Auditors' Report

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

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TO THE MEMBERS OF GREATER CHINA HOLDINGS LIMITED
大中華實業控股有限公司
(Incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Greater China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 79, which comprise the consolidated statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Group's consolidated current liabilities exceeded its consolidated current assets by HK$102,864,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

HLM & Co.
Certified Public Accountants
Hong Kong

30 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

Continuing operations	Notes	**2011 HK$'000**	2010 HK$'000 (restated) (Note 3)
Revenue	7	**184,187**	7,418
Cost of sales		**(175,701)**	–
Gross profit		**8,486**	7,418
Other income	9	**38,003**	282
Selling and distribution costs		**(141)**	–
Administrative and other operating expenses		**(37,380)**	(29,294)
Finance costs	10	**(1,852)**	(4,466)
Profit (loss) before tax		**7,116**	(26,060)
Income tax	11	**(7,843)**	–
Loss for the year from continuing operations	12	**(727)**	(26,060)
Discontinued operation			
Profit (loss) for the year from discontinued operation	13	**3,104**	(4,070)
Profit (loss) for the year		**2,377**	(30,130)
Other comprehensive income (expense):			
Exchange differences on translation of foreign operations			
Exchange differences arising during the year		**8,448**	6,298
Reclassification adjustments relating to foreign operations disposed of during the year		**(1,967)**	–
		6,481	6,298
Total comprehensive income (expense) for the year		**8,858**	(23,832)
Profit (loss) for the year attributable to:			
Owners of the Company		**2,506**	(29,944)
Non-controlling interests		**(129)**	(186)
		2,377	(30,130)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**8,970**	(23,655)
Non-controlling interests		**(112)**	(177)
		8,858	(23,832)
		HK cents	HK cents
Earnings (loss) per share – basic and diluted	17		
From continuing and discontinued operations		**0.84**	(9.99)
From continuing operations		**(0.20)**	(8.63)

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	**169,167**	165,917
Prepaid lease payments	19	**98,011**	99,940
Available-for-sale investments	20	**–**	–
Deposits for acquisition of leasehold land	21	**35,689**	34,341
		302,867	300,198
Current assets			
Inventories	22	**1,732**	671
Trade and other receivables	23	**2,022**	3,344
Prepaid lease payments	19	**2,198**	2,203
Prepayments and deposits	24	**31,396**	564
Bank balances and cash	25	**47,138**	18,344
		84,486	25,126
Current liabilities			
Trade payables	26	**1,970**	–
Other payables and accruals	26	**41,948**	58,910
Bills payables		**74,337**	–
Amounts due to a minority shareholder of subsidiaries		**–**	10,563
Bank loans	27	**61,132**	64,706
Tax payables		**7,963**	–
		187,350	134,179
Net current liabilities		**(102,864)**	(109,053)
Net assets		**200,003**	191,145

Consolidated Statement of Financial Position

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	28	**1,499**	1,499
Reserves		**198,148**	189,178
Equity attributable to owners of the Company		**199,647**	190,677
Non-controlling interests		**356**	468
Total equity		**200,003**	191,145

The consolidated financial statements on pages 18 to 79 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

Ma Xiaoling
Director

Chan Siu Mun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2010	1,499	379,281	19,350	(185,798)	214,332	645	214,977
Exchange differences on translation of foreign operations	–	–	6,289	–	6,289	9	6,298
Loss for the year	–	–	–	(29,944)	(29,944)	(186)	(30,130)
Loss for the year and total comprehensive expense for the year	–	–	6,289	(29,944)	(23,655)	(177)	(23,832)
At 31 December 2010 and 1 January 2011	1,499	379,281	25,639	(215,742)	190,677	468	191,145
Exchange differences on translation of foreign operations	–	–	8,431	–	8,431	17	8,448
Reclassified adjustments relating to foreign operations disposed of during the year	–	–	(1,967)	–	(1,967)	–	(1,967)
Profit (loss) for the year	–	–	–	2,506	2,506	(129)	2,377
Profit (loss) for the year and total comprehensive income (expense) for the year	–	–	6,464	2,506	8,970	(112)	8,858
At 31 December 2011	**1,499**	**379,281**	**32,103**	**(213,236)**	**199,647**	**356**	**200,003**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit (loss) before tax from continuing operations	**7,116**	(26,060)
Profit (loss) before tax from discontinued operation	**3,104**	(4,070)
	10,220	(30,130)
Adjustments for:		
Amortisation and depreciation	**13,123**	8,702
Other payables waived	**(361)**	–
Impairment loss on inventory	**–**	946
Interest income	**(1,009)**	(284)
Finance costs	**2,003**	4,769
Gain on disposal of port infrastructure project	**(36,127)**	–
Gain on disposal of subsidiaries	**(3,937)**	–
Gain on disposal of property, plant and equipment	**–**	(203)
Operating cash flows before movements in working capital	**(16,088)**	(16,200)
Increase in inventories	**(1,652)**	(1,588)
Decrease (increase) in trade and other receivables	**915**	(1,721)
(Increase) decrease in prepayments and deposits	**(30,832)**	31
Increase in trade payables	**1,970**	–
(Decrease) increase in other payables and accruals	**(14,923)**	411
Increase in bills payables	**74,337**	–
Cash generated from (used in) operations	**13,727**	(19,067)
Interest paid	**(4,587)**	(4,466)
Net cash generated from (used in) operating activities	**9,140**	(23,533)
Investing activities		
Interest received	**1,009**	284
Purchase of property, plant and equipment	**(10,972)**	(7,185)
Proceeds from disposal of port infrastructure project	**36,127**	–
Net cash outflow on disposal of subsidiaries	**(567)**	–
Proceeds from disposal of property, plant and equipment	**–**	612
Decrease in pledged bank deposit	**–**	6,818
Deposit received for project development	**–**	5,882
Net cash generated from investing activities	**25,597**	6,411

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Financing activities		
Proceeds from borrowings	**110,971**	–
Repayment of borrowings	**(116,992)**	(11,818)
Advance from a minority shareholder of subsidiaries	**–**	1,933
Net cash used in financing activities	**(6,021)**	(9,885)
Net increase (decrease) in cash and cash equivalents	**28,716**	(27,007)
Cash and cash equivalents at 1 January	**18,344**	45,216
Effects of foreign exchange rate changes	**78**	135
Cash and cash equivalents at 31 December	**47,138**	18,344
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**47,138**	18,344

1. BASIS OF PRESENTATION

The Company was incorporated in the Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates. As the Company is a listed entity on the Stock Exchange, the financial statements are presented in Hong Kong dollars for the convenience of the readers.

In preparing the consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group had net current liabilities of approximately HK$102,864,000 as at 31 December 2011. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration of the following:

(i) the undrawn banking facilities of HK$114,684,000 (equivalent to RMB93,800,000);

(ii) the substantial shareholder, Keenlead Holdings Limited, agreed to provide continuous financial support to the Group; and

(iii) the Group entered into a non-legally binding Letter of Intent ("LOI") with an independent third party on 26 March 2012. The Group intends to dispose of the economic benefits and business risks associated with a parcel of land located in Taicang City, Jiangsu Province, the PRC. The market value of the land will be used as a reference for the determination of the consideration. The land consists of prepaid lease payments with carrying value amounted to HK$56,168,000.

Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The Group is principally engaged in investment holding, production and sale of fertilizers, chemicals, industrial property development and warehouse projects and trading of goods including fuels, metal materials and electronic parts.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

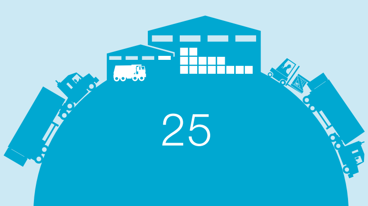
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments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

The application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Asset[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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.



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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

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

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

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

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

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

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

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

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale.

The directors of the Company anticipate that the application of the new and revised Standards and Interpretations will have no material effect on amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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 owners of the Company.

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

Discontinued Operations

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

Warehouse storage income is recognised when the storage services are rendered.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose and warehouse held for supply of storage services, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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

Leasehold land held for owner-occupied purpose and leasehold land upon which the warehouse is situated

The leasehold land component classified as an operating lease is presented as prepaid lease payment in the statement of financial position and is amortised on a straight-line basis over the lease term.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land for own use (Continued)

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to the Group's defined contribution retirement benefit plans, including the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into financial assets as loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, prepayments and deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade and other receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities include other payables, amounts due to a minority shareholder of subsidiaries and bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification for warehouse for provision of storage services

The Group determines whether the warehouse in the PRC should be classified as property, plant and equipment or an investment property. The warehouse is used to generate warehouse storage income that comprises warehouse rentals and income from the supply of warehouse logistics services. In making its judgement, the directors of the Company considered that income and cash flows from warehouse rentals and warehouse logistic services are interdependent and cannot be separated. In addition, the directors of the Company determined that the provision of warehouse logistics services are significant to the warehouse storage operation as a whole. For these reasons, the directors of the Company considered that the warehouse is classified as property, plant and equipment in accordance with HKAS 16 Property, Plant and Equipment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Depreciation and amortisation

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

Impairment loss on property, plant and equipment and prepaid lease payments

Property, plant and equipment mainly represented warehouse (warehouse under construction in the previous year). Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value of the property, plant and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. The recoverable amount of warehouse has been determined based on a valuation carried out by an independent qualified professional valuer not connected with the Group, using the depreciated replacement cost approach. Besides, the directors of the Company also determined the recoverable amount of warehouse with the estimation of future expected cash flows from the warehouse and a suitable discount rate. The carrying amount of property, plant and equipment is HK$169,167,000 (2010: HK$165,917,000). The carrying amount of warehouse is HK$165,689,000 (2010: HK$154,745,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment loss on property, plant and equipment and prepaid lease payments (Continued)

Prepaid lease payments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value of the prepaid lease payments less costs to sell or the future expected cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. The recoverable amount of prepaid lease payments have been determined based on a valuation carried out by independent qualified professional valuers not connected with the Group, using comparable market price of similar prepaid lease payments on an open market value with the assumptions that the prepaid lease payments are sold in the market in its existing state. The carrying amount of prepaid lease payments is HK$100,209,000 (2010: HK$102,143,000).

The directors performed impairment assessment of the Group's property, plant and equipment and prepaid lease payments for the years ended 31 December 2011 and 2010, no impairment loss has been recognised for property, plant and equipment and prepaid lease payments.

Deposits for acquisition of leasehold land

As mentioned in note 21, the amount represented deposit paid for acquiring land use rights on a piece of land located in Taicang, the PRC, for the use of industrial development project of the Group. Due to certain environmental issues, the land use rights acquired will not be able to serve the proposed usage of the land. The management is negotiating with the PRC government for a mutually satisfactory solution to both the parties. Based on the negotiation, the directors are of the opinion that the Group would not suffer any loss on the deposit made.

5. CAPITAL RISK MANAGEMENT

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

During 2011, the Group's strategy remained unchanged. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as borrowings divided by equity.

The management considers the gearing ratio at the year end date is as follows:

	2011 **HK$'000**	2010 HK$'000
Borrowings	**135,469**	75,269
Equity attributable to owners of the Company	**199,647**	190,677
Debt to equity ratio	**67.85%**	39.47%

The increase in gearing ratio during the year was mainly due to the increase in bills payables of HK$74,337,000.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**80,556**	22,252
Financial liabilities		
Other financial liabilities at amortised cost	**179,387**	134,179

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, prepayment and deposits, trade and other payables and accruals, bills payables, amounts due to a minority shareholder of subsidiaries, bank balances and cash and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's foreign currency assets, liabilities and transactions are principally denominated in RMB which expose the Group to foreign currency risk. 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.

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

	Assets 2011 HK$'000	**Liabilities 2011 HK$'000**	Assets 2010 HK$'000	Liabilities 2010 HK$'000
RMB	**64,767**	**178,728**	4,812	123,946

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB against Hong Kong dollar.

The following table details the Group's sensitivity to a 5% (2010: 5%) increase or decrease in HKD against RMB. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. A positive number below indicates an increase in loss with a 5% weakening of HKD (2010: 5%) against RMB. For a 5% (2010: 5%) strengthening of HKD against RMB, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2011 **HK$'000**	2010 HK$'000
Loss for the year	**5,698**	5,957

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (see note 27 for details) and fixed-rate amount due to a minority shareholder of subsidiaries (see note 34(a) for details) as at 31 December 2011 and 2010.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at December 2011 and 2010 (see note 25 for details). The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Credit risk

The Group has concentration of credit risk as nil (2010: 100%) of the total trade receivables was due from the Group's five largest customers within the industrial property development segment and trading segment (2010: industrial property development segment). No trade receivable was due from the Group's largest customer as at the end of the reporting period.

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC. The Group considers the credit risk of the bank balances is minimal as they are deposited with banks with high credit ratings.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans. The Group relies on bank loans and amounts due to a minority shareholder of subsidiaries as a significant source of liquidity. Details of which are set out in notes 27 and 34(a), respectively.

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

Liquidity table

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011							
Non-derivative financial liabilities							
Accounts payables	–	1,970	–	–	–	1,970	1,970
Other payables	–	41,948	–	–	–	41,948	41,948
Bills payables	–	–	74,337	–	–	74,337	74,337
Bank loans							
– fixed rate	8.20%	–	–	25,499	–	25,499	24,453
– fixed rate	7.93%	–	–	12,731	–	12,731	12,226
– fixed rate	6.06%	–	24,829	–	–	24,829	24,453
Amounts due to a minority shareholder of subsidiaries							
– fixed rate	–	–	–	–	–	–	–
– non-interest bearing	–	–	–	–	–	–	–
		43,918	99,166	38,230	–	181,314	179,387

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

Liquidity table (Continued)

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Other payables	–	58,910	–	–	–	58,910	58,910
Bank loans							
– fixed rate	6.48%	–	29,835	36,315	–	66,150	64,706
Amounts due to a minority shareholder of subsidiaries							
– fixed rate	6%	6,717	–	–	–	6,717	6,684
– non-interest bearing	–	3,879	–	–	–	3,879	3,879
		69,506	29,835	36,315	–	135,656	134,179

6c. Fair value

Financial instruments carried at fair value

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 entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follow:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observed for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value (Continued)

Financial instruments carried at fair value (Continued)

At 31 December 2011, the Group did not have any financial instruments based on the Level 1 for the fair value hierarchy.

During the year ended 31 December 2011, there were no transfers between financial instruments in Level 1 and 2.

Fair values of financial instruments carried at other than fair value

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

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

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

At 31 December 2011, the Group has an available-for-sale investment calculated based on Level 3 of the fair value hierarchy. However, the investment was fully impaired in 2007 since the Group has lost contact with the investee.

7. REVENUE

Revenue represents revenue arising on warehouse storage income and sales of goods. An analysis of the Group's revenue for the year is as follows:

	2011 HK$'000	2010 HK$'000
Continuing operations		
Sales of goods	176,107	–
Warehouse storage income	8,080	7,418
	184,187	7,418

8. SEGMENT INFORMATION

Business Segments

The Group's operations are organised into fertilizers and chemicals, industrial property development business and trading business. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group's reportable and operating segments comprise fertilizers and chemicals, industrial property development and general trading.

– Fertilizers and chemicals segment represented the production and sale of fertilizers and chemicals in Zhuhai, the PRC.

– Industrial property development segment represented the operation of warehouse in Taicang, the PRC and also the development of industrial property.

– General trading segment included trading of fuels, metal materials and electronic parts. Currently, the Group's general trading activities are carried out in the PRC.

During the year, the Group disposed its equity interest in a subsidiary engaging in fertilizers and chemicals and the disposal was completed in June 2011. Fertilizers and chemicals is classified as discontinued operation. A new segment, general trading, and industrial property development are classified as continuing operations of the Group.

8. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2011

	Continuing Operations			Discontinued Operation	
	Industrial property development HK$'000	General trading HK$'000	Subtotal HK$'000	Fertilizers and chemicals HK$'000	Total HK$'000
SEGMENT REVENUE	8,080	176,107	184,187	907	185,094
SEGMENT RESULTS	17,211	(815)	16,396	(682)	15,714
Gain on disposal of subsidiaries			–	3,937	3,937
Unallocated corporate expenses			(9,280)	–	(9,280)
Interest expenses paid to a minority shareholder of subsidiaries			–	(151)	(151)
Profit before tax			7,116	3,104	10,220
Income tax			(7,843)	–	(7,843)
(Loss) profit for the year			(727)	3,104	2,377

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2010

	Continuing Operations			Discontinued Operation	
	Industrial property development HK$'000	General trading HK$'000	Subtotal HK$'000	Fertilizers and chemicals HK$'000	Total HK$'000
SEGMENT REVENUE	7,418	–	7,418	1,959	9,377
SEGMENT RESULTS	(17,898)	–	(17,898)	(3,760)	(21,658)
Unallocated corporate income			1	–	1
Unallocated corporate expenses			(8,163)	(7)	(8,170)
Interest expenses paid to a minority shareholder of subsidiaries			–	(303)	(303)
Loss before tax			(26,060)	(4,070)	(30,130)
Income tax			–	–	–
Loss for the year			(26,060)	(4,070)	(30,130)

All of the segment revenue reported above is from external customers.

Segment result represents the post-tax profit or loss of the subsidiaries engaged in respective segment activities without allocation of some bank interest income, sundry income, central administrative costs and interest expenses paid to a minority shareholder of subsidiaries which are not earned by or received by those subsidiaries. This is the measure reported to the Group's chief executive officer for the purposes of resources allocation and assessment of segment performance.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

At 31 December 2011

	Continuing Operations			Discontinued Operation	
	Industrial property development HK$'000	General trading HK$'000	Subtotal HK$'000	Fertilizers and chemicals HK$'000	Total HK$'000
ASSETS					
Segment assets	321,469	51,097	372,566	–	372,566
Unallocated bank balances and cash					14,274
Unallocated property, plant and equipment					139
Unallocated other receivables, prepayments and deposits					374
Consolidated total assets					387,353
LIABILITIES					
Segment liabilities	69,916	116,775	186,691	–	186,691
Unallocated other payables					659
Consolidated total liabilities					187,350

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2010

	Continuing Operations			Discontinued Operation	
	Industrial property development HK$'000	General trading HK$'000	Subtotal HK$'000	Fertilizers and chemicals HK$'000	Total HK$'000
ASSETS					
Segment assets	296,308	–	296,308	12,369	308,677
Unallocated bank balances and cash					15,779
Unallocated property, plant and equipment					304
Unallocated other receivables, prepayments and deposits					564
Consolidated total assets					325,324
LIABILITIES					
Segment liabilities	119,899	–	119,899	5,380	125,279
Unallocated other payables					990
Unallocated amounts due to a minority shareholder of subsidiaries					7,910
Consolidated total liabilities					134,179

8. SEGMENT INFORMATION (Continued)

Other information

For the year ended 31 December 2011

	Continuing Operations		Discontinued Operation		
	Industrial property development HK$'000	**General trading HK$'000**	**Fertilizers and chemicals HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Information included in segment results/ segment assets:					
Capital additions	**13,695**	**–**	**–**	**12**	**13,707**
Amortisation and depreciation	**12,628**	**–**	**318**	**177**	**13,123**
Interest income	**8**	**1,001**	**–**	**–**	**1,009**
Finance costs	**279**	**1,573**	**–**	**151**	**2,003**
Write off of projects development costs (including in administrative and other operating expenses)	**331**	**–**	**–**	**–**	**331**

For the year ended 31 December 2010

	Continuing Operations		Discontinued Operation		
	Industrial property development HK$'000	General trading HK$'000	Fertilizers and chemicals HK$'000	Unallocated HK$'000	Consolidated HK$'000
Information included in segment results/ segment assets:					
Capital additions	50,998	–	84	–	51,082
Amortisation and depreciation	7,608	–	877	217	8,702
Interest income	280	–	4	–	284
Finance costs	4,466	–	–	303	4,769
Write off of projects development costs (including in administrative and other operating expenses)	880	–	–	–	880
Impairment loss on inventory	–	–	946	–	946

8. SEGMENT INFORMATION (Continued)

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2011	2010	**31.12.2011**	31.12.2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**–**	–	**138**	304
PRC	**184,187**	7,418	**302,729**	299,894
	184,187	7,418	**302,867**	300,198

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	HK$'000	HK$'000
Customer A[1]	**149,693**	N/A[3]
Customer B[2]	**N/A[3]**	3,409
Customer C[2]	**N/A[3]**	2,239
Customer D[2]	**N/A[3]**	1,690
Customer E[1]	**N/A[3]**	1,011

1 Revenue from sale of goods.
2 Revenue from warehouse storage income.
3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

9. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Continuing operations		
Bank interest income	**1,009**	280
Exchange gain	**375**	–
Gain on disposal of port infrastructure project	**36,127**	–
Other payables waived	**361**	–
Sundry income	**131**	2
	38,003	282

Included in other income was a gain on disposal of port infrastructure project included in the industrial property development segment amounting to HK$36,127,000 (equivalent to RMB30,000,000). In December 2010, the Group entered into an agreement with Chinanet Development Limited ("Chinanet"), a third party to the Group, to dispose of the port infrastructure project. The transaction was completed in January 2011. All expenditures amounting to HK$18,064,000 (equivalent to RMB15,000,000) incurred by the Group in relation to this project were expensed in profit or loss when they were incurred in prior periods and hence, no assets or liabilities were recognised for this project. Accordingly, a gain of HK$36,127,000 is recognised in the current period.

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest on bank loans and other borrowings wholly repayable within five years	**1,852**	4,466

11. INCOME TAX

	2011 HK$'000	2010 HK$'000
Continuing operations		
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	7,843	–
	7,843	–
Under (over) provision in prior year	–	–
Deferred tax	–	–
Total income tax recognised in profit and loss	7,843	–

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the subsidiaries operating in Hong Kong incurred tax loss for both years.

With effect from 1 January 2008, the tax rate was unified for both domestic and foreign investment enterprises at the rate of 25%.

11. INCOME TAX (Continued)

The income tax for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit (loss) before tax from continuing operations	**7,116**	(26,060)
Tax charge (credit) at domestic tax rate of 25% (2010: 25%)	**1,779**	(6,515)
Tax effect of expenses not deductible for tax purpose	**3,449**	1,591
Tax effect of income not taxable for tax purpose	**(1,175)**	(1)
Tax effect of tax losses not recognised as deferred tax asset	**2,602**	4,888
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,188**	37
Income tax for the year	**7,843**	–

At the end of reporting period, the Group has unused tax losses subject to the agreement of tax authorities of HK$159,657,000 (2010: HK$141,469,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unutilised tax losses of HK$68,366,000 (2010: HK$59,445,000) can be carried forward for a period of five years. Other unrecognised tax losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Continuing operations		
Loss for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**2,165**	2,043
Depreciation on property, plant and equipment	**10,640**	5,782
	12,805	7,825
Auditors' remuneration	**670**	1,184
Write off of projects development costs (included in administrative and other operating expenses)	**331**	880
Staff costs including directors' emoluments	**9,753**	10,564
Cost of inventories recognised as an expenses	**175,481**	–
Exchange loss	**–**	19
Gain on disposal of property, plant and equipment	**–**	(203)

13. DISCONTINUED OPERATION

On 1 June 2011, the Company entered into a sale agreement with Greennice Group Limited, a third party to the Group, to dispose of its entire 51% equity interest in Lucky Green Limited ("Lucky Green"), which is principally engaged in the production and sale of fertilizers and chemicals in Zhuhai, the PRC, for a cash consideration of HK$300,000. The disposal was completed on 9 June 2011, on which date the Group lost control of Lucky Green. Since then Lucky Green ceased to be a subsidiary of the Group and the Group's production and sale of fertilizers and chemicals operation is treated as a discontinued operation.

The results of the Group's production and sales of fertilizers and chemicals operation included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operation have been re-presented to include the operation classified as discontinued in the current year.

13. DISCONTINUED OPERATION (Continued)

	2011 HK$'000	2010 HK$'000
Profit (loss) for the year from discontinued operation		
Revenue	**907**	1,959
Cost of sales	**(877)**	(2,247)
Other income	**–**	60
Selling and distribution costs	**(214)**	(622)
Administrative expenses	**(498)**	(2,917)
Finance costs – interest expenses paid to a minority shareholder of subsidiaries	**(151)**	(303)
Loss for the year	**(833)**	(4,070)
Gain on disposal of subsidiaries (note 33)	**3,937**	–
Profit (loss) for the year for discontinued operation (attributable to owners of the Company)	**3,104**	(4,070)

Profit (loss) for the period from discontinued operation was arrived at after charging the following items:

	2011 HK$'000	2010 HK$'000
Amortisation of prepaid lease payments	**–**	85
Depreciation of property, plant and equipment	**318**	792
Impairment loss on inventory	**–**	946
Cost of inventories recognised as an expense	**191**	489
Staff costs including directors' emoluments	**470**	1,226

13. DISCONTINUED OPERATION (Continued)

	2011 HK$'000	2010 HK$'000
Cash flows from discontinued operation		
Net cash outflows from operating activities	**(341)**	(1,960)
Net cash outflows from investing activities	**–**	(81)
Net cash inflows from financing activities	**–**	–
Net cash flows	**(341)**	(2,041)

14. DIVIDEND

The Directors do not recommend the payment of a dividend for the years ended 31 December 2011 and 2010.

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 6 (2010: 6) directors were as follows:

	Ma Xiaoling HK$'000	Chan Siu Mun HK$'000	Chan Sze Hon HK$'000	Ching Men Ky, Carl HK$'000	Lin Ruei Min HK$'000	Shu Wa Tung, Laurence HK$'000	2011 HK$'000
Fees	–	–	240	240	240	240	960
Other emoluments							
Salaries and other benefits	2,086	1,200	–	–	–	–	3,286
Contribution to retirement benefits schemes	–	12	–	–	–	–	12
Total emoluments	2,086	1,212	240	240	240	240	4,258

15. DIRECTORS' EMOLUMENTS (Continued)

	Ma Xiaoling HK$'000	Chan Siu Mun HK$'000	Chan Sze Hon HK$'000	Ching Men Ky, Carl HK$'000	Lin Ruei Min HK$'000	Shu Wa Tung, Laurence HK$'000	2010 HK$'000
Fees	–	–	240	240	240	240	960
Other emoluments							
Salaries and other benefits	1,744	1,040	–	–	–	–	2,784
Contribution to retirement benefits schemes	–	12	–	–	–	–	12
Total emoluments	1,744	1,052	240	240	240	240	3,756

No director waived any emoluments in the years ended 31 December 2011 and 2010.

16. EMPLOYEES' EMOLUMENTS

Two (2010: two) of the five individuals with the highest emoluments in the Group are directors of the Company whose emoluments are included in disclosures in note 15 above. The aggregate emoluments of the remaining three (2010: three) are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**1,429**	2,273
Contributions to retirement benefit scheme	**12**	–
	1,441	2,273

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
HK$nil to HK$1,000,000	**3**	3

17. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011	2010
	HK$'000	HK$'000
Earnings (loss)		
Profits (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	**2,506**	(29,944)
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	**299,847**	299,847

From continuing operations

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

	2011	2010
	HK$'000	HK$'000
Profits (loss) for the period attributable to owners of the Company	**2,506**	(29,944)
Less: Profit (loss) for the period from discontinued operation	**3,104**	(4,070)
Loss for the purpose of basic loss per share from continuing operations	**(598)**	(25,874)

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

17. EARNINGS (LOSS) PER SHARE (Continued)

From discontinued operation

Basic earnings per share from discontinued operation is HK1.04 cents per share (2010: loss per share HK1.36 cents), based on the profit for the period from discontinued operation of HK$3,104,000 (2010: loss of HK$4,070,000) and the denominators detailed above for basic earnings per share.

No diluted loss per share has been presented because the Company has no potential ordinary shares outstanding for both periods.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Warehouse HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Warehouse under construction HK$'000	Total HK$'000
COST							
At 1 January 2010	11,383	–	2,006	3,309	6,760	102,326	125,784
Exchange realignment	402	1,799	71	77	230	3,612	6,191
Additions	–	–	–	28	78	50,976	51,082
Transfer upon completion of construction	–	156,914	–	–	–	(156,914)	–
Disposals	–	–	–	–	(756)	–	(756)
At 31 December 2010 and 1 January 2011	11,785	158,713	2,077	3,414	6,312	–	182,301
Exchange realignment	213	6,437	24	83	250	–	7,007
Additions	–	13,600	–	107	–	–	13,707
Derecognised on disposal of subsidiaries	(9,217)	–	(2,101)	(274)	(552)	–	(12,144)
At 31 December 2011	**2,781**	**178,750**	**–**	**3,330**	**6,010**	**–**	**190,871**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2010	3,325	–	1,147	1,615	3,525	–	9,612
Exchange realignment	137	135	47	52	174	–	545
Provided for the year	560	3,833	205	709	1,267	–	6,574
Eliminated on disposals	–	–	–	–	(347)	–	(347)
At 31 December 2010 and 1 January 2011	4,022	3,968	1,399	2,376	4,619	–	16,384
Exchange realignment	57	290	17	58	204	–	626
Provided for the year	420	8,803	82	572	1,081	–	10,958
Eliminated on disposal of subsidiaries	(4,046)	–	(1,498)	(290)	(430)	–	(6,264)
At 31 December 2011	**453**	**13,061**	**–**	**2,716**	**5,474**	**–**	**21,704**
NET CARRYING VALUES							
At 31 December 2011	**2,328**	**165,689**	**–**	**614**	**536**	**–**	**169,167**
At 31 December 2010	7,763	154,745	678	1,038	1,693	–	165,917

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings and warehouse	Over the shorter of remaining unexpired terms of the leases and 5%
Plant and machinery	10%-20%
Furnitures, fixtures and equipment	10%-33%
Motor vehicles	20%-25%

The buildings and warehouse are situated on land in the PRC held under a medium-term land use right.

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent payment for medium-term land use rights in the PRC and are charged to the profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

	2011 HK$'000	2010 HK$'000
Cost		
At 1 January	**108,894**	107,574
Exchange realignment	**4,170**	1,320
Derecognised on disposal of subsidiaries	**(3,823)**	–
At 31 December	**109,241**	108,894
Accumulated amortisation		
At 1 January	**6,751**	4,393
Exchange realignment	**294**	230
Amortisation for the year	**2,165**	2,128
Eliminated on disposal of subsidiaries	**(178)**	–
At 31 December	**9,032**	6,751
Carrying value		
At 31 December	**100,209**	102,143
Analysed for reporting purposes as:		
Current assets	**2,198**	2,203
Non-current assets	**98,011**	99,940
	100,209	102,143

The Group intends to dispose of a parcel of land which consists of prepaid lease payments with carrying value amounted to HK$56,168,000 at the consideration determined by reference of the market value. Details are disclosed in note 37.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2011 **HK$'000**	2010 HK$'000
At cost	**3,000**	3,000
Impairment loss	**(3,000)**	(3,000)
	–	–

At 31 December 2011 and 2010, the Group had unlisted equity interest in the following company:

Name of company	Country of incorporation/ operation	Class of capital held	Proportion of registered capital held in directly by the Company	Nature of business
Hunan Zhongrong Real Estate Development Company Limited 湖南中榮房地產開發有限公司	PRC	Registered capital	18%	Property development

The above unlisted investment is measured at cost less impairment at the end of reporting period because it does not have a quoted market price in active market and the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The investment was fully impaired in 2007 since the Group has lost contact with the investee.

21. DEPOSITS FOR ACQUISITION OF LEASEHOLD LAND

At 31 December 2011 and 2010, the amount represented deposits paid for acquiring the land use rights in Taicang, the PRC, in the sum of HK$35,689,000 (2010: HK$34,341,000) (equivalent to RMB29,190,000 in both years) for industrial development project of the Group. The deposits paid represented approximately 41% of the total cost of acquisition of the land use rights. Due to certain environmental issues, the land use rights acquired will not be able to serve the proposed usage of the land. The management is negotiating with the PRC government for a mutually satisfactory solution to both the parties. Based on the negotiation, the directors are of the opinion that the Group would not suffer any loss on the deposits made.

22. INVENTORIES

	2011 HK$'000	2010 HK$'000
Finished goods	**1,732**	671

None of the inventories of the Group carried at net realisable value at the end of the reporting period.

23. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	**989**	1,495
Other receivables	**1,033**	1,849
	2,022	3,344

The Group allows an average credit period of 30 days. The following is an aged analysis of trade receivables based on invoice date of the Group at the end of reporting period.

	2011 HK$'000	2010 HK$'000
0 – 60 days	**989**	642
61 – 90 days	**–**	321
Over 90 days	**–**	532
	989	1,495

Before accepting any new customer, the Group has assessed the credit quality of each potential customer. In addition, the Group has reviewed repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

23. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$nil (2010: HK$1,174,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables as at 31 December 2010 is 90 days.

Aging of trade receivables which are past due but not impaired

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**–**	–
31 – 60 days	**–**	321
61 – 90 days	**–**	321
Over 90 days	**–**	532
	–	1,174

24. PREPAYMENTS AND DEPOSITS

	2011 **HK$'000**	2010 HK$'000
Prepayments (Note a)	**30,762**	–
Rental and utilities deposits	**620**	564
Others	**14**	–
	31,396	564

Note:

(a) Included in the prepayments are an amount of HK$24,927,000 for the purchase of inventory paid to a long term supplier of the Group. The remaining balance of HK$5,835,000 is the prepayments for the purchase of inventory paid to five independent parties.

25. BANK BALANCES AND CASH

All bank balances with carrying amount of HK$47,138,000 (2010: HK$18,344,000) are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from nil to 2.80% (2010: nil to 0.01%) for both years.

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	2011 **HK$'000**	2010 HK$'000
Trade payables	**1,970**	–
Other payables and accruals (Note a)	**41,948**	58,910
	43,918	58,910

The following is an analysis of trade payables by age based on the invoice date.

	2011 **HK$'000**	2010 HK$'000
0 – 30 days	**–**	–
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**1,970**	–
	1,970	–

The average credit period on purchases of certain goods is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note:

(a) Included in the balance are payables for the cost of construction of warehouse of HK$23,889,000 (2010: HK$45,446,000). The construction of warehouse was completed in July 2010. Also included in the balance are deposits of HK$13,569,000 (2010: HK$nil) for the sales of inventory received from third parties. The remaining balance are the accrued expenses and other payables.

27. BANK LOANS

	2011 HK$'000	2010 HK$'000
Bank loans – secured and repayable within one year	**61,132**	64,706

The effective interest rate on the Group's fixed-rate bank loans for the year ended 31 December 2011 was 6.06% to 8.20% per annum.

The effective interest rate on the Group's fixed-rate bank loans for the year ended 31 December 2010 was 6.48% per annum.

The secured bank loans are secured by:

(a) Prepaid lease payments with the aggregate carrying amount of HK$86,302,000 (2010: HK$84,939,000),

(b) Warehouse with the aggregate carrying amount of HK$165,689,000 (2010: HK$nil).

28. SHARE CAPITAL

	Number of shares '000	Nominal amount HK$'000
Authorised:		
Ordinary shares of HK$0.005 each at 1 January 2010, 31 December 2010 and 31 December 2011	421,978,000	2,109,890
Preference shares of HK$0.005 each at 1 January 2010, 31 December 2010 and 31 December 2011	22,000	110
Issued and fully paid:		
Ordinary shares of HK$0.005 each at 1 January 2010, 31 December 2010 and 31 December 2011	299,847	1,499

29. SHARE OPTIONS SCHEME

Pursuant to an ordinary resolution passed at a special general meeting of shareholders held on 22 April 2002, the Company adopted a share option scheme (the "Scheme") which enables the directors of the Company to grant options to employees (including directors) of the Group in recognition of their contribution to the Group. The Scheme will expire on 21 April 2012.

No option has been granted under the Scheme since its adoption.

30. OPERATING LEASES

The Group as lessee

	2011 **HK$'000**	2010 HK$'000
Minimum lease payments under operating leases in respect of office properties and motor vehicles	**1,298**	1,505

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**490**	1,018
In the second to fifth year inclusive	**188**	256
	678	1,274

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles. Leases are negotiated for an average term of two-year.

30. OPERATING LEASES (Continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum payments for storage facilities.

	2011 HK$'000	2010 HK$'000
Within one year	–	9,117
In the second to fifth year inclusive	–	5,442
	–	14,559

Warehouse storage income earned during the year was HK$8,080,000 (2010: HK$7,418,000).

31. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Commitments in respect of the acquisition and construction of property, plant and equipment contracted but not provided for	**63,555**	77,366

The balance represented the commitment for the industrial development project which has been temporarily suspended.

32. RETIREMENT BENEFITS SCHEMES

The Group is required to participate in a defined contribution scheme, the MPF Scheme, in respect of its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Both the Group and its employees contribute 5% of the relevant payroll costs to the MPF Scheme. The maximum contribution for each employee is limited to HK$12,000 per annum.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. Contributions to the retirement benefit schemes for the year amounted to HK$301,000 (2010: HK$502,000).

33. DISPOSAL OF SUBSIDIARIES

On 9 June 2011 the Group disposed of its entire interests in Lucky Green.

The net liabilities of Lucky Green and its subsidiaries at the date of disposal were as follows:

	2011 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	5,880
Prepaid lease payments	3,645
Inventories	600
Trade and other receivables	420
Bank balances and cash	867
Other payables and accruals	(2,336)
Translation reserve released	(1,967)
Amounts due to a minority shareholder of subsidiaries	(10,746)
	(3,637)
Gain on disposal of subsidiaries	3,937
Total consideration	300
Satisfied by:	
Cash	300
Net cash outflow arising on disposal:	
Total cash consideration received	300
Bank balances and cash disposed of	(867)
	(567)

34. RELATED PARTIES TRANSACTIONS AND BALANCES

(a) The amounts due to a minority shareholder of subsidiaries include a balance of HK$6,684,000 in 2010 which is unsecured, interest-bearing at 6% per annum and repayable on demand. The remaining balance is unsecured, non-interest bearing and repayable on demand. The amount of interest expense incurred during the year is approximately HK$151,000 (2010: HK$303,000).

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is HK$5,699,000 (2010: HK$6,029,000) disclosed in notes 15 and 16.

35. SUBSIDIARIES

Name	Place of incorporation and operation	Issued and fully paid ordinary share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company 2011 Directly	2011 Indirectly	2010 Directly	2010 Indirectly	Principle activities
Delight Link Enterprises Limited	Hong Kong	Ordinary HK$2	**100%**	**–**	100%	–	Provision of administrative services to group companies
Keycharm Investments Limited ("Keycharm")	British Virgin Islands ("BVI")	Ordinary US$100	**–**	**100%**	–	100%	Investment holding
太倉中化國際興業石化開發建設有限公司 Taicang Sinochem International Xingye Petrochemical Development Company Limited ("Taicang")	PRC	Registered capital RMB160,000,000	**–**	**100%**	–	100%	Industrial property development with focus on port infrastructure and warehouse projects
太倉基創倉儲有限公司	PRC	Registered capital RMB80,000,000	**–**	**100%**	–	–	Industrial property development with focus on warehouse projects and provision of warehouse services
北京三智興業投資有限公司	PRC	Registered capital RMB20,000,000	**–**	**95%**	–	95%	Provision of consultancy services
太倉灝朴貿易有限公司	PRC	Registered capital RMB5,000,000	**–**	**100%**	–	100%	Trading of goods

35. SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

36. COMPARATIVE FIGURES

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

37. EVENT AFTER THE REPORTING PERIOD

On 26 March 2012, Taicang Sinochem International Xingye Petrochemical Development Company Limited ("Taicang"), the indirectly wholly-owned subsidiary of the Company, entered into a non-legally binding Letter of Intent ("LOI") with an independent third party, 江蘇南通三建集團有限公司太倉分公司 ("Jiangsu Nantong"). Pursuant to the LOI, Taicang intends to dispose of the economic benefits and business risks associated with a parcel of land located in Taicang City, Jiangsu Province, the PRC. The market value of the land will be used as a reference for the determination of the consideration. The land consists of prepaid lease payments with carrying value amounted to HK$56,168,000. Further details were set out in the Company's announcement dated 26 March 2012.

38. FINANCIAL INFORMATION OF THE COMPANY

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries		**3**	3
Current assets			
Amounts due from subsidiaries		**92,613**	92,613
Prepayments and deposits		**145**	328
Bank balances and cash		**992**	990
		93,750	93,931
Current liabilities			
Other payables and accruals		**610**	958
Amount due to subsidiaries		**354**	354
		964	1,312
Net current assets		**92,786**	92,619
Net assets		**92,789**	92,622
Capital and reserves			
Share capital	28	**1,499**	1,499
Share premium		**379,281**	379,281
Contributed surplus		**64,379**	64,379
Accumulated losses		**(352,370)**	(352,537)
Total equity		**92,789**	92,622

Financial Summary

	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010* HK$'000	Year ended 31.12.2009* HK$'000	Year ended 31.12.2008* HK$'000	Year ended 31.12.2007* HK$'000
RESULTS					
Revenue	**184,187**	9,377	5,273	4,458	7,872
Profit (loss) for the year	**2,377**	(30,130)	(44,332)	(35,743)	(34,572)
Attributable to:					
Owners of the Company	**2,506**	(29,944)	(44,129)	(35,458)	(32,200)
Non-controlling interests	**(129)**	(186)	(203)	(285)	(2,372)
	2,377	(30,130)	(44,332)	(35,743)	(34,572)

	At 31.12.2011 HK$'000	At 31.12.2010* HK$'000	At 31.12.2009* HK$'000	At 31.12.2008* HK$'000	At 31.12.2007* HK$'000
ASSETS AND LIABILITIES					
Total assets	**387,353**	325,324	304,413	284,986	294,032
Total liabilities	**(187,350)**	(134,179)	(89,436)	(25,677)	(14,442)
Non-controlling interests	**(356)**	(468)	(645)	(848)	–
Equity attributable to owners of the Company	**199,647**	190,677	214,332	258,461	279,590

* *The result for each of the year from 2007-2010 have not been re-presented for the discontinued operation.*