大中華實業控股有限公司

GREATER CHINA HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

Annual Report 2010

Stock Code: 431

CONTENTS

	Pages
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
BIOGRAPHICAL DETAILS OF DIRECTORS	6
CORPORATE GOVERNANCE REPORT	8
DIRECTORS' REPORT	11
INDEPENDENT AUDITOR'S REPORT	16
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	19
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	21
CONSOLIDATED STATEMENT OF CASH FLOWS	22
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	23
FINANCIAL SUMMARY	64

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

Deloitte Touche Tohmatsu
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 Fund Services (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

Review of Operations

2010 was a challenging year for the Group as a whole. The operation of production and sale of fertilizers and chemical was still under severe competition and the revenue was significantly dropped as a result of it. During the year, the construction of the depot facilities in Taicang, the People's Republic of China (the "PRC") was completed and it commenced operation in the second half of 2010 which helped to improve the overall revenue of the Group.

The Group also transferred all economic benefit and liabilities of port infrastructure project to a third party at a consideration of RMB30,000,000 during the year with the objective to improve the cash flow of the Group. The transaction was completed in early 2011.

Prospects

In 2011, the Group would focus on the industrial property development business to generate stable and constant income. At the same time, we would continue to explore various opportunities to improve the profitability and maximize the utilization of the resources of the Group.

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.

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 2010.

Ma Xiaoling
Chairman

Hong Kong, 30 March 2011

Business Review

For the year ended 31 December 2010, turnover of the Group amounted to HK$9,377,000 (2009: HK$5,273,000) and loss for the year amounted to HK$30,130,000 (2009: HK$44,332,000).

During the year under review, a segment income of HK$1,959,000 (2009: HK$5,273,000) and a segment loss of HK$3,760,000 (2009: HK$1,104,000) was resulted from the production and sale of fertilizers and chemical segment. The significant decrease in the segment income was due to the keen competition in the industry during the year. The situation was worsen with the increase in the costs of the operation including both the material costs and the labour cost in the PRC, leading to the segment loss for the year. The management will monitor the situation closely and strive to improve the situation in the near future.

The industrial property development segment commenced operation in the second half of 2010 and a segment income of HK$7,418,000 (2009: HK$nil) was resulted. The segment loss was reduced from HK$35,616,000 for the year ended 31 December 2009 to HK$17,898,000 for the current year.

Financial Review

Liquidity and Financial Resources

As at 31 December 2010, the Group has current ratio of approximately 0.19 compared to that of 2.09 as at 31 December 2009 and the gearing ratio was 0.39 which remained the same as that at 31 December 2009. The calculation of gearing ratio was based on the total borrowings as at 31 December 2010 of HK$75,269,000 (2009: HK$82,645,000) and the equity attributable to equity holders at 31 December 2010 of HK$190,677,000 (2009: HK$214,332,000).

Capital commitment in respect of the acquisition and construction of property, plant and equipment amounted to HK$77,366,000 (2009: HK$132,824,000).

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

Prospects

With the commencement of operation of the depot facilities in the PRC in 2010, it is expected that the revenue of the Group as a whole would be improved and the cash flows generated from the operation would strengthen the overall financial position of the Group.

In December 2010, the Group entered into a co-operation agreement with a third party and pursuant to which all economic benefits and liabilities of the port infrastructure project (included in the industrial property development segment) would be transferred to the third party at a consideration of RMB30,000,000. The cash flow of the Group would be improved by RMB30,000,000 following the completion of this transaction. For details of the transaction, please refer to the announcement published by the Group on 10 December 2010.

The Group would focus on the industrial property development segment in the years to come with the objective to develop the segment as our major operation in terms of turnover as well as profitability. 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 2010, prepaid lease payments of HK$84,939,000 (2009: HK$83,875,000) was pledged against bank loans granted to the Group. The bank deposit of HK$6,818,000 pledged against bank loans granted to the Group in 2009 was released during the year upon settlement of the relevant bank loans.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2010.

Employees and Remuneration Policies

As at 31 December 2010, the Group has approximately 60 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.

Executive Directors

Ms. Ma Xiaoling, aged 35, 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 36, 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 12 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 37, was appointed as Executive Director since July 2005 and re-designated to Non-Executive Director since October 2008. 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 Polytechic University. 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. He has over 15 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 and an independent non-executive director of China Mining Resources Group Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director of China AU Group Holdings Limited and ERA Holdings Global Limited, both shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Independent Non-executive Directors

Mr. Ching Men Ky, Carl, aged 66, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lin Ruei Min, aged 67, 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 38, 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 Growth Enterprises Market of the Stock Exchange and the Stock Exchange respectively.

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 Byelaws.

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 2010. 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 directors:	
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 2010.

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 2010, the total remuneration in respect of audit services paid and payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, amounted to approximately HK$1,130,000.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

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

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 18.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company during the year are set out in note 24 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 36% and 92% of the Group's total revenue for the year respectively. The largest supplier and the five largest suppliers accounted for approximately 30% and 80% 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

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 Man

Non-executive directors:

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, Ms. Chan Siu Mun and Mr. Lin Ruei Min 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 2010, 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 2010.

Save as disclosed above, as at 31 December 2010, 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 25 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 2010, 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 2010.

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 25 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 2010.

Auditors

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu 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 2011

Deloitte.
德勤

TO THE MEMBERS OF GREATER CHINA HOLDINGS LIMITED
大中華實業控股有限公司
(Incorporated in 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 63, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	5	**9,377**	5,273
Cost of sales		**(2,247)**	(4,179)
Gross profit		**7,130**	1,094
Other income	7	**342**	1,123
Selling and distribution costs		**(622)**	(449)
Administrative and other operating expenses		**(32,211)**	(42,682)
Finance costs	8	**(4,769)**	(3,418)
Loss before tax		**(30,130)**	(44,332)
Income tax	9	**—**	—
Loss for the year	10	**(30,130)**	(44,332)
Other comprehensive income:			
Exchange differences on translation of foreign operation		**6,298**	—
Total comprehensive expense for the year		**(23,832)**	(44,332)
Loss for the year attributable to:			
Owners of the Company		**(29,944)**	(44,129)
Non-controlling interests		**(186)**	(203)
		(30,130)	(44,332)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(23,655)**	(44,129)
Non-controlling interests		**(177)**	(203)
		(23,832)	(44,332)
Loss per share — basic	13	**(9.99 cents)**	(14.72 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**165,917**	116,172
Prepaid lease payments	15	**99,940**	98,661
Available-for-sale investments	16	**—**	—
Deposits for acquisition of leasehold land	17	**34,341**	33,171
		300,198	248,004
Current assets			
Inventories	18	**671**	29
Trade and other receivables	19	**3,344**	1,623
Prepaid lease payments	15	**2,203**	2,128
Prepayments and deposits		**564**	595
Pledged bank deposit	20	**—**	6,818
Bank balances and cash	20	**18,344**	45,216
		25,126	56,409
Current liabilities			
Other payables and accruals	21	**58,910**	6,791
Amounts due to a minority shareholder of subsidiaries	31a	**10,563**	8,327
Bank loans	22	**64,706**	11,818
		134,179	26,936
Net current (liabilities) assets		**(109,053)**	29,473
Total assets less current liabilities		**191,145**	277,477

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Deferred tax liabilities	23	—	—
Bank loans	22	—	62,500
		191,145	214,977
Capital and reserves			
Share capital	24	**1,499**	1,499
Reserves		**404,920**	398,631
Accumulated losses		**(215,742)**	(185,798)
Equity attributable to owners of the Company		**190,677**	214,332
Non-controlling interests		**468**	645
Total equity		**191,145**	214,977

The consolidated financial statements on pages 18 to 63 were approved and authorised for issue by the Board of Directors on 30 March 2011 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 2010

	Attributable to owners of the Company						
	Share capital	Share premium	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	1,499	379,281	19,350	(141,669)	258,461	848	259,309
Loss for the year and total comprehensive expense for the year	—	—	—	(44,129)	(44,129)	(203)	(44,332)
At 31 December 2009 and 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	**1,499**	**379,281**	**25,639**	**(215,742)**	**190,677**	**468**	**191,145**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Loss for the year	**(30,130)**	(44,332)
Adjustments for:		
Amortisation and depreciation	**8,702**	5,291
Impairment loss on prepayments for project development	**—**	14,318
Impairment loss on inventory	**946**	—
Interest income	**(284)**	(132)
Finance costs	**4,769**	3,418
Gain from disposal of property, plant and equipment	**(203)**	—
Operating cash flows before movements in working capital	**(16,200)**	(21,437)
(Increase) decrease in inventories	**(1,588)**	11
Increase in trade and other receivables	**(1,721)**	(6)
Decrease (increase) in prepayments and deposits	**31**	(22)
Increase in other payables	**411**	2,211
Cash used in operations	**(19,067)**	(19,243)
Interest paid	**(4,466)**	(3,115)
NET CASH USED IN OPERATING ACTIVITIES	**(25,533)**	(22,358)
INVESTING ACTIVITIES		
Interest received	**284**	132
Purchase of property, plant and equipment	**(7,185)**	(45,094)
Proceeds from disposal of property, plant and equipment	**612**	—
Acquisition of prepaid lease payments	**—**	(10,945)
Decrease (increase) in pledged bank deposit	**6,818**	(6,818)
Deposit received for project development	**5,882**	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**6,411**	(62,725)
FINANCING ACTIVITIES		
Bank loans raised	**—**	74,318
Repayment of bank loans	**(11,818)**	(2,273)
Advance from a minority shareholder of subsidiaries	**1,933**	145
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(9,885)**	72,190
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(27,007)**	(12,893)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**45,216**	58,109
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**135**	—
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**18,344**	45,216

1. Basis of Presentation

The Company was incorporated in 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 incurred a loss of approximately HK$30,130,000 for the year ended 31 December 2010 and had net current liabilities of approximately HK$109,053,000 as at 31 December 2010. 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 subsequent disposal of the port infrastructure project for RMB30,000,000 (equivalent to HK$35,294,000) in January 2011(see note 33(a)). In addition, the Group has signed an agreement with a bank in January 2011 to secure a one year term bank loan amounting to RMB20,000,000 (equivalent to HK$23,529,000) and a one year term undrawn bank facility of RMB55,000,000 (equivalent to HK$64,706,000). The bank loan of RMB20,000,000 (equivalent to HK$23,529,000) and the bank facility of RMB20,000,000 (equivalent to HK$23,529,000 have been drawn in March 2011 subsequently (see note 33(b)) to finance the project development and repayment of its financial obligations. 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 fertilisers and chemicals and industrial property development with focus on port infrastructure and warehouse projects.

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				Principal activities
			2010		2009		
			Directly	Indirectly	Directly	Indirectly	
Delight Link Enterprises Limited	Hong Kong	Ordinary HK$2	100%	—	100%	—	Provision of administrative services to group companies
珠海經濟特區瑞農植保技術有限公司 Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co. Ltd.	The People's Republic of China ("PRC")	Registered capital RMB10,011,239	—	51%	—	51%	Production and sale of fertilizers and chemicals

1. Basis of Presentation (Continued)

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				Principal activities
			2010		2009		
			Directly	Indirectly	Directly	Indirectly	
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 RMB240,000,000	–	100%	–	100%	Industrial property development with focus on port infrastructure and warehouse projects
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%	–	–	Provision of warehouse services

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.

2. Application of New or 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").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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 Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

2. Application of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard might affect the consolidated financial statements of the Group.

The directors of the Company anticipate that the application of the other 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 Limited and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

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

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

Total comprehensive income and expense of a subsidiary 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. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests has a binding obligation and were able to make an additional investment to cover the losses.

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 sales of goods is recognised when goods are delivered and title has passed.

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 revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount 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 for administrative purpose and warehouse held for supply of storage services, are stated 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 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 losses on tangible assets

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

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 as income immediately.

3. Significant Accounting Policies (Continued)

Inventories

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

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 recognized in profit and loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiation and arranging and operating lease are added to the carrying amount of the leased asset and recognized 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.

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 on 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.

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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 the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

For borrowing costs relating to qualifying assets for which the commencement date is on or before 1 January 2009, they are expensed to profit or loss when they are incurred in accordance with the transitional provisions in HKAS 23 (Revised 2007).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss financial assets below).

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on 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 impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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 asset, such as trade and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of 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.

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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net 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 rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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.

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.

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.

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.

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$165,917,000 (2009: HK$116,172,000). The carrying amount of warehouse is HK$154,745,000 (2009: HK$102,326,000 recognised as warehouse under construction).

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 of 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$102,143,000 (2009: HK$100,789,000).

The directors performed impairment assessment of the Group's property, plant and equipment and prepaid lease payments for the years ended 31 December 2010 and 2009, no impairment loss has been recognised for property, plant and equipment and prepaid lease payments.

Deposit for acquisition of leasehold land

As mentioned in note 17, 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. The directors are of the opinion that the land use rights will be obtained if the Group eventually secure the acquisition of the land use right from the PRC government. The industrial development project has been temporarily suspended due to management decision. The directors of the Company are of the opinion that the Group can obtain the land use right from the PRC government when the project is resumed in the foreseeable future.

5. Revenue

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

	2010	2009
	HK$'000	HK$'000
Sales of goods	**1,959**	5,273
Warehouse storage income	**7,418**	—
	9,377	5,273

6. Segment Information

Business Segments

The Group's operations are organised into fertilizers and chemicals and industrial property development 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 and industrial property development.

— 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 such as the port infrastructure project.

In the current year, there is a change of business plan regarding the development of one of the industrial property development projects included in the segment of industrial property development below. The Group entered into an agreement with Chinanet Development Limited ("Chinanet"), a third party to the Group, on 9 December 2010 to dispose of the port infrastructure project for a consideration of RMB30,000,000 and the transaction was completed in January 2011. All expenses related to this project were expensed when they were incurred in current and prior periods and hence, no assets or liabilities were recognised for this project as at the end of reporting period. Accordingly, gain of RMB30,000,000 will be recognised in the period in which the transaction is completed.

6. Segment Information (Continued)

Segment revenues and results

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

For the year ended 31 December 2010

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
SEGMENT REVENUE	**1,959**	**7,418**	**9,377**
Segment results	**(3,760)**	**(17,898)**	**(21,658)**
Unallocated other income			**1**
Unallocated bank interest income			**—**
Central administration costs			**(8,170)**
Interest expenses paid to a minority shareholder of subsidiaries			**(303)**
Loss for the year			**(30,130)**

For the year ended 31 December 2009

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
SEGMENT REVENUE	5,273	—	5,273
Segment results	(1,104)	(35,616)	(36,720)
Unallocated other income			929
Unallocated bank interest income			89
Central administration costs			(8,327)
Interest expenses paid to a minority shareholder of subsidiaries			(303)
Loss for the year			(44,332)

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

6. Segment Information (Continued)

Segment revenues and results (Continued)

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.

Segment assets and liabilities

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

At 31 December 2010

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	12,369	296,308	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	5,380	119,899	125,279
Unallocated other payables			990
Unallocated amounts due to a minority shareholder of subsidiaries			7,910
Consolidated total liabilities			134,179

6. Segment Information (Continued)

Segment assets and liabilities (Continued)

At 31 December 2009

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	14,201	253,125	267,326
Unallocated bank balances and cash			35,988
Unallocated property, plant and equipment			520
Unallocated other receivables, prepayments and deposits			579
Consolidated total assets			304,413
LIABILITIES			
Segment liabilities	3,890	76,931	80,821
Unallocated other payables			1,007
Unallocated amounts due to a minority shareholder of subsidiaries			7,608
Consolidated total liabilities			89,436

6. Segment Information (Continued)

Other information

For the year ended 31 December 2010

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

For the year ended 31 December 2009

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Information included in segment results/segment assets:				
Capital additions	171	64,111	—	64,282
Amortisation and depreciation	964	4,082	245	5,291
Interest income	6	37	89	132
Finance costs	120	2,995	303	3,418
Write off of projects development costs (included in administrative and other operating expenses	—	2,798	—	2,798
Impairment loss on prepayments for project development (included in administrative and other operating expenses)	—	14,318	—	14,318

6. 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 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 Year ended		Non-current assets	
	31/12/2010 HK$'000	31/12/2009 HK$'000	**31/12/2010 HK$'000**	31/12/2009 HK$'000
Hong Kong	**—**	—	**304**	520
PRC	**9,377**	5,273	**299,894**	247,484
	9,377	5,273	**300,198**	248,004

Information about major customers

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

	Year ended	
	31/12/2010 HK$'000	31/12/2009 HK$'000
Customer A[1]	**3,409**	N/A[3]
Customer B[1]	**2,239**	N/A[3]
Customer C[1]	**1,690**	N/A[3]
Customer D[2]	**1,011**	908
Customer E[2]	**N/A[3]**	592
Customer F[2]	**N/A[3]**	1,257
Customer G[2]	**N/A[3]**	1,006

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

7. Other Income

	2010 HK$'000	2009 HK$'000
Bank interest income	**284**	132
Sundry income	**1**	930
Government grant	**57**	61
	342	1,123

8. Finance Costs

	2010 HK$'000	2009 HK$'000
Interest on bank loans wholly repayable within five years	**4,466**	3,115
Interest expenses paid to a minority shareholder of subsidiaries	**303**	303
	4,769	3,418

9. Income Tax

	2010 HK$'000	2009 HK$'000
Deferred tax credit:		
Current year	**—**	—
	—	—

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit.

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.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation, followed by a 50% deduction for the next three years.

9. Income Tax (Continued)

With effect from 1 January 2008, the tax rate was unified for both domestic and foreign investment enterprises at the rate of 25%. In addition, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate of the subsidiary established in Zhuhai Special Administrative Region from 15% to 20%, 22%, 24% and 25% for the year ending 31 December 2009, 2010, 2011 and 2012 respectively for the subsidiary of the Company. The applicable tax rate for the subsidiary of the Company during the year is 22% (2009: 20%).

No provision for PRC income tax has been made as all of the PRC subsidiaries are not profit-making for both years.

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

	2010 HK$'000	2009 HK$'000
Loss before tax	**(30,130)**	(44,332)
Tax credit at domestic tax rate of 25% (2009: 25%)	**(7,532)**	(11,083)
Tax effect of expenses not deductible for tax purpose	**1,642**	4,819
Tax effect of income not taxable for tax purpose	**(1)**	(177)
Tax effect of tax losses not recognised as deferred tax asset	**5,828**	5,823
Effect of different tax rates of subsidiaries operating in other jurisdictions	**63**	618
Income tax for the year	**—**	—

10. Loss for the Year

	2010 HK$'000	2009 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**2,128**	2,112
Depreciation of property, plant and equipment	**6,574**	3,179
	8,702	5,291
Auditor's remuneration	**1,184**	1,175
Write off of projects development costs (included in administrative and other operating expenses)	**880**	2,798
Impairment loss on prepayments for project development (included in administrative and other operating expenses)	**—**	14,318
Impairment loss on inventory	**946**	—
Staff costs including directors' emoluments	**11,790**	11,305
Cost of inventories recognised as an expenses	**489**	2,803
Exchange loss	**19**	—
Gain on disposal of property, plant and equipment	**(203)**	—

11. Directors' Emoluments

The emoluments paid or payable to each of the 6 (2009: 6) directors were as follows:

	Ma Xiaoling HK$'000	Chan Sze Hon HK$'000	Carl, Ching Men Ky HK$'000	Lin Ruei Min HK$'000	Laurence Shu Wa Tung HK$'000	Chan Siu Mun HK$'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	240	240	240	240	1,052	3,756

	Ma Xiaoling HK$'000	Chan Sze Hon HK$'000	Carl, Ching Men Ky HK$'000	Lin Ruei Min HK$'000	Laurence Shu Wa Tung HK$'000	Chan Siu Mun HK$'000	2009 HK$'000
Fees	—	250	240	240	240	—	970
Other emoluments							
Salaries and other benefits	1,750	—	—	—	—	1,040	2,790
Contribution to retirement benefits schemes	—	—	—	—	—	12	12
Total emoluments	1,750	250	240	240	240	1,052	3,772

No director waived any emoluments in the years ended 31 December 2010 and 2009.

12. Employees' Emoluments

Two (2009: 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 11 above. The aggregate emoluments of the remaining three (2009: three) are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**2,273**	2,000
Contributions to retirement benefit scheme	**—**	—
	2,273	2,000

Their emoluments were within the following bands:

	2010 **No. of employees**	2009 No. of employees
HK$ nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**—**	—
HK$3,500,001 to HK$4,000,000	**—**	—

13. Loss Per Share — Basic

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of HK$29,944,000 (2009: HK$44,129,000) and 299,847,000 shares (2009: 299,847,000 shares) in issue during the year.

No diluted earnings per share has been presented because the Company has no potential ordinary shares outstanding in both years.

14. Property, Plant and Equipment

	Buildings	Warehouse	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Warehouse under construction	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2009	8,799	—	1,846	2,670	6,760	56,312	76,387
Additions	2,584	—	160	639	—	46,014	49,397
At 31 December 2009 and 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	**11,785**	**158,713**	**2,077**	**3,414**	**6,312**	**—**	**182,301**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	2,772	—	856	911	1,894	—	6,433
Provided for the year	553	—	291	704	1,631	—	3,179
At 31 December 2009 and 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	4,022	3,968	1,399	2,376	4,619	—	16,384
CARRYING VALUES							
At 31 December 2010	**7,763**	**154,745**	**678**	**1,038**	**1,693**	**—**	**165,917**
At 31 December 2009	8,058	—	859	1,694	3,235	102,326	116,172

14. 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%

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

15. Prepaid Lease Payments

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

	2010 **HK$'000**	2009 HK$'000
At 1 January	**100,789**	91,011
Exchange realignment	**3,482**	—
Addition during the year	**—**	11,890
Amortisation during the year	**(2,128)**	(2,112)
At 31 December	**102,143**	100,789
Analysed for reporting purposes as:		
Current assets	**2,203**	2,128
Non-current assets	**99,940**	98,661
	102,143	100,789

16. Available-for-sale Investments

	2010 HK$'000	2009 HK$'000
At cost	**3,000**	3,000
Impairment loss	**(3,000)**	(3,000)
	—	—

At 31 December 2010 and 2009, 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.

17. Deposits for Acquisition of Leasehold Land

As at 31 December 2010 and 2009, the amount represented deposits paid for acquiring land use rights on a piece of land located in Taicang, the PRC, of HK$34,341,000 (2009: HK$33,171,000), see note 4 for the status of the project.

18. Inventories

	2010 HK$'000	2009 HK$'000
Finished goods	**671**	29

19. Trade and Other Receivables

	2010 HK$'000	2009 HK$'000
Trade receivables	**1,495**	415
Other receivables	**1,849**	1,208
	3,344	1,623

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:

	2010 HK$'000	2009 HK$'000
0-60 days	**642**	415
61-90 days	**321**	—
Over 90 days	**532**	—
	1,495	415

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.

Included in the Group's trade recoverable are debtors with aggregate carrying amount of HK$1,174,000 (2009: HK$22,000) 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 is 90 days (2009: 31 days).

19. Trade and Other Receivables (Continued)

Aging of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
0-30 days	—	—
31-60 days	321	22
61-90 days	321	—
Over 90 days	532	—
	1,174	22

The trade receivables were subsequently settled after the end of the reporting period.

20. Bank Balances and Cash/Pledged Bank Deposit

All bank saving deposit balances with carrying amount of HK$18,344,000 (2009: HK$44,767,000) are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from nil to 0.01% (2009: nil to 0.01%) for both years. The pledged bank deposit as at 31 December 2009 of HK$6,818,000 carried fixed interest rate of 2.25% per annum. The pledged bank deposit is released during the year upon the settlement of relevant short-term bank borrowing.

21. Other Payables and Accruals

Included in the balance are payables for the cost of construction of warehouse of HK$45,446,000 (31.12.2009: Nil). The construction of warehouse was completed in July 2010.

Also included in the balance are deposits of HK$5,882,000 (2009: Nil) received from third party constructors for potential participations of the development of port infrastructure project of the Group. With the subsequent disposal of the port infrastructure project to Chinanet Development Limited ("Chinanet") in January 2011 (see note 33(a)), the deposits will be repaid to the constructors if they do not participate in the development of the project or will be transferred to Chinanet if the constructors participate in the project.

22. Bank Loans

	2010 HK$'000	2009 HK$'000
Bank loans	**64,706**	74,318
Secured	**64,706**	68,636
Unsecured	**—**	5,682
	64,706	74,318
Carrying amount repayable:		
Within one year	**64,706**	11,818
More than one year, but not exceeding two years	**—**	62,500
	64,706	74,318
Less: Amounts due within one year shown under current liabilities	**(64,706)**	(11,818)
	—	62,500

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

The effective interest rates on the Group's fixed-rate bank loans for the year ended December 31, 2009 were ranged from 5.31% to 6.48% per annum.

The secured bank loans are secured by:

(a) Prepaid lease payments with the aggregate carrying amount of HK$84,939,000 (2009: HK$83,875,000),

(b) Bank deposit amounted to nil (2009: HK$6,818,000).

23. Deferred Tax Liabilities

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

	Property, plant and equipment HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2009	85	(85)	—
(Credit) charge to consolidated statement of comprehensive income	(38)	38	—
At 31 December 2009 and 1 January 2010	47	(47)	—
(Credit) charge to consolidated statement of comprehensive income	(33)	33	—
At 31 December 2010	**14**	**(14)**	**—**

At the end of reporting period, the Group has unused tax losses subject to the agreement of tax authorities of HK$141,469,000 (2009: HK$118,360,000), available for offset against future profits. A deferred tax asset of HK$14,000 (2009: HK$47,000) has been recognised in respect of HK$80,000 (2009: HK$282,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$141,389,000 (2009: HK$118,078,000) due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unutilised tax losses of HK$59,445,000 (2009: HK$44,308,000) can be carried forward for a period of five years. Other unrecognised tax losses may be carried forward indefinitely.

24. Share Capital

	Number of shares '000	Nominal amount HK$'000
Authorised:		
Ordinary shares of HK$0.005 each at 1 January 2009, 31 December 2009 and 2010	421,978,000	2,109,890
Preference shares of HK$0.005 each at 1 January 2009, 31 December 2009 and 2010	22,000	110
Issued and fully paid:		
Ordinary shares of HK$0.005 each At 1 January 2009, 31 December 2009 and 31 December 2010	299,847	1,499

25. Share Option 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.

26. Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the bank balances and cash/ pledged bank deposit (note 20), bank loans (note 22) and equity attributable to equity holders of the Company, comprising issued share capital, share premium, translation reserve and deficit.

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

27. Financial Instruments

27a. Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**21,688**	53,435
Financial liabilities		
Amortised cost	**134,179**	89,436

27. Financial Instruments (Continued)

27b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other payables, amounts due to a minority shareholder of subsidiaries, pledged bank deposit, 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

There are no significant amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than functional currency of the relevant group entity. Management of the Group are of the opinion that the Group's exposure to foreign currency risk is minimal. Accordingly, no foreign currency risk sensitivity analysis is presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (see note 22 for details) and fixed-rate amount due to a minority shareholder of subsidiaries (see note 31(a) for details) as at 31 December 2010 and 2009.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at December 2010 and 2009 (see note 20 for details).

Management of the Group are of the opinion that the Group's exposure to interest rate risk is minimal with the effective interest rates of the Group's bank balances ranged from nil to 0.01% for both years. Accordingly, no interest rate risk sensitivity analysis is presented.

27. Financial Instruments (Continued)

27b. Financial risk management objectives and policies (Continued)

Credit risk

The Group has concentration of credit risk as 100% (2009: 40%) of the total trade receivables was due from the Group's five largest customers within the industrial property development segment (2009: fertilizers and chemicals segment). No trade receivable was due from the Group's largest customer as at the end of the reporting period.

As at 31 December 2010, 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.

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 22 and 31(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.

27. Financial Instruments (Continued)

27b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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$'000	Carrying amount at 31.12.2010 HK$'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
Amount 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

	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$'000	Carrying amount at 31.12.2009 HK$'000
2009							
Non-derivative financial liabilities							
Other payables	—	6,791	—	—	—	6,791	6,791
Bank loans							
— fixed rate	5.84%	—	—	12,134	—	12,134	11,818
— fixed rate	6.48%	—	—	—	68,403	68,403	62,500
Amount due to a minority shareholder of subsidiaries							
— fixed rate	6%	6,413	—	—	—	6,413	6,381
— non-interest bearing	—	1,946	—	—	—	1,946	1,946
		15,150	—	12,134	—	95,687	89,436

27. Financial Instruments (Continued)

27c. Fair value

The fair value of 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 transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

28. Operating Leases

The Group as lessee

	2010 HK$'000	2009 HK$'000
Minimum lease payments under operating leases in respect of office properties and motor vehicles	**1,505**	1,657

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:

	2010 HK$'000	2009 HK$'000
Within one year	**1,018**	592
In second to fifth year inclusive	**256**	—
	1,274	592

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 one year.

28. Operating Leases (Continued)

The Group as lessor

Warehouse storage income earned during the year was HK$7,418,000 (2009: Nil). The warehouse has committed tenants for the next two to three years.

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

	2010 HK$'000	2009 HK$'000
Within one year	9,117	—
In second to fifth year inclusive	5,442	—
	14,559	—

29. Capital Commitments

	2010 HK$'000	2009 HK$'000
Commitments in respect of the acquisition and construction of property, plant and equipment contracted but not provided for	77,366	132,824

The balance represented the capital commitments for industrial property development projects, including HK$15,858,000 that relates to the port infrastructure project. The port infrastructure project was disposed to Chinanet Development Limited ("Chinanet") and the transaction was subsequently completed (see note 33(a)). Upon disposal, the commitment of this project was transferred to Chinanet. The remaining balance represented the commitment for the industrial development project which has been temporarily suspended (see note 4).

30. 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$502,000 (2009: HK$332,000).

31. Related Party Transactions and Balances

(a) The amounts due to a minority shareholder of subsidiaries include a balance of HK$6,684,000 (2009: HK$6,381,000) which is unsecured, interest-bearing at 6% per annum and repayable on demand. The amount of interest expense incurred during the year is approximately HK$303,000 (2009: HK$303,000). The remaining balance is unsecured, non-interest bearing and repayable on demand.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is HK$6,029,000 (2009: HK$5,772,000) disclosed in notes 11 and 12.

32. Financial Information of the Company

	2010 HK$'000	2009 HK$'000
Non-current assets		
Investment in subsidiaries	**3**	3
	3	3
Current assets		
Amounts due from subsidiaries	**92,613**	92,613
Prepayments and deposits	**328**	339
Bank balances and cash	**990**	990
	93,931	93,942
Current liabilities		
Other payables and accruals	**958**	958
Amounts due to subsidiaries	**354**	354
	1,312	1,312
Net current assets	**92,619**	92,630
Total assets less current liabilities	**92,622**	92,633
Capital and reserves		
Share capital	**1,499**	1,499
Share premium	**379,281**	379,281
Contributed surplus	**64,379**	64,379
Accumulated losses	**(352,537)**	(352,526)
Total equity	**92,622**	92,633

33. Event after the Reporting Period

(a) 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 for a consideration of RMB30,000,000 (equivalent to HK$35,294,000). The transaction was completed in January 2011. All expenditures incurred by the Group in relation to this project were expensed when they were incurred in current and prior periods and hence, no assets or liabilities were recognised for this project as at the end of reporting period. Accordingly, a gain of RMB30,000,000 will be recognised in the period when the transaction is completed.

(b) In January 2011, the Group signed an agreement with a bank to secure a one year term bank loan of RMB20,000,000 (equivalent to HK$23,529,000) and a one year term undrawn bank facility of RMB55,000,000 (equivalent to HK$64,706,000). The bank loan of RMB20,000,000 (equivalent to HK$23,529,000) and the bank facility of RMB20,000,000 (equivalent to HK$23,529,000) have been drawn in March 2011. A warehouse of RMB131,534,000 (equivalent to HK$154,745,000) in Taicang, the PRC, and the prepaid lease payments of RMB25,278,000 (equivalent to HK$29,739,000) on which it is constructed was used as the pledge for the bank loan and bank facility. In March 2011, the Group used the proceeds from the disposal of port infrastructure project to settle the bank loan of RMB25,000,000 (equivalent to HK$29,412,000) that was included as current liabilities of the statement of financial position as at 31 December 2010 and the pledged prepaid lease payments of RMB25,278,000 was released (equivalent to HK$29,739,000) accordingly.

FINANCIAL SUMMARY

	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	Year ended 31.12.2006 HK$'000
RESULTS					
Revenue	**9,377**	5,273	4,458	7,872	13,576
(Loss) profit for the year	**(30,130)**	(44,332)	(35,743)	(34,572)	96,834
Attributable to:					
Owners of the Company	**(29,944)**	(44,129)	(35,458)	(32,200)	98,422
Non-controlling interests	**(186)**	(203)	(285)	(2,372)	(1,588)
	(30,130)	(44,332)	(35,743)	(34,572)	96,834

	31.12.2010 HK$'000	31.12.2009 HK$'000	31.12.2008 HK$'000	31.12.2007 HK$'000	31.12.2006 HK$'000
ASSETS AND LIABILITIES					
Total assets	**325,324**	304,413	284,986	294,032	615,510
Total liabilities	**(134,179)**	(89,436)	(25,677)	(14,442)	(299,407)
Non-controlling interests	**(468)**	(645)	(848)	—	(17,115)
Equity attributable to owners of the Company	**190,677**	214,332	258,461	279,590	298,988