中國海景控股有限公司
Sino Haijing Holdings Limited

Stock Code: 8065

ANNUAL REPORT 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed in the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Sino Haijing Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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

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

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

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Hong Kong Share Registrar of the Company, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

COMPLIANCE OFFICER

Ms. Hui Hongyan

MEMBERS OF THE AUDIT COMMITTEE AND REMUNERATION COMMITTEE

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

LEGAL ADVISERS

As to Hong Kong Law
Loong & Yeung

As to Cayman Islands Law
Conyers Dill & Pearman, Cayman

AUDITORS

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

8065

COMPANY'S WEBSITE

www.sinohaijing.com

Directors and Senior Management of the Group

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

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei, aged 50, is the Chairman and Chief Executive Officer of the Group and is responsible for the formulation of corporate strategy and the steering of the overall development of the Group. Mr. Chao has over 15 years of experience in expanding and promoting the expandable polystyrene ("EPS") packaging industry in the PRC. Mr. Chao joined the Group in September 2005. Mr. Chao is the chairman to the board of director of each of Qingdao Haijing Packing Materials Company Limited, Qingdao Xinhaijing Packing Materials Company Limited, Hefei Haijing Packing Materials Company Limited, Hefei Qipeng Paper Product Company Limited, Hefei Meiling Rongfeng Packing Materials Company Limited and Jinan Haijing Packing Materials Company Limited, each of which a subsidiary of the Company. Mr. Chao is also the chairman to the board of director and the general manager of Qingdao Mould Products Company Limited and Haijing Packing Research & Development (Huizhou) Company Limited and a director of Qingdao Haihong Environmental Packaging Technology Company Limited, each of which a subsidiary of the Company.

Mr. Wang Yi, aged 49, is the Vice President of the Group and is responsible for overseeing the operations of the Group's subsidiaries in Hefei City, the PRC. Mr. Wang graduated from Shanghai Light Industry College. Mr. Wang has over 23 years of experience in the EPS production and technical management. Mr. Wang is one of the "2009 Outstanding Entrepreneur" awarded by Anhui Association of Enterprises with Foreign Investment. He is the Vice President of the China Plastics Processing Industry Association – EPS Professional Committee. Mr. Wang joined the Group in January 2008. Mr. Wang is the chairman to the board of director and the general manager of Dalian Haijing Packing Materials Company Limited, a subsidiary of the Company, a director of Hefei Meiling Rongfeng Packing Materials Company Limited and the general manager of Hefei Haijing Packing Materials Company Limited, each of which a subsidiary of the Company.

Ms. Hui Hongyan, aged 46, graduated from the University of Shenzhen, majoring in Accountancy in 1992. Ms. Hui is responsible for the financial management of the Group's subsidiaries in the PRC. Ms. Hui had over 16 years of experience in different positions in finance department of various companies in the PRC. Ms. Hui joined the Group in September 2005. Ms. Hui is a director of Hefei Meiling Rongfeng Packing Materials Company Limited, a subsidiary of the Company.

Mr. Deng Chuangping, aged 34, is the President Assistant of the Group and is responsible for overseeing the operation of the Group's subsidiaries in Qingdao City, the PRC. Mr. Deng graduated from the Faculty of Industry and Economics of Renmin University of China. Mr. Deng has over 10 years of experience in the EPS production and technical management. Mr. Deng is the executive council member of the China Federation of Packaging Association. Mr. Deng joined the Group in January 2008. Mr. Deng is the general manager of Qingdao Haihong Environmental Packaging Technology Company Limited and Qingdao Haijing Packing Materials Company Limited, each of which a subsidiary of the Company, and a director and the general manager of Jinan Haijing Packing Materials Company Limited, a subsidiary of the Company

Directors and Senior Management of the Group

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping, aged 47, holds a bachelor degree and master degree in economics from Zhongshan University in China and a master degree in Business Studies from Massey University in New Zealand. Since 1988, Mr. Lan worked for several financial institutions and investment companies in China and currently he is an associate professor in the International Finance College of the Beijing Normal University (Zhuhai Campus). Mr. Lan has over 15 years of experience in finance and investment fields.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing, aged 39 has over 13 years of management experience. Mr. Ho received a bachelor degree of Business from the Monash University in Australia in 1997 and a master degree of Business Administration from the University of Surrey in the United Kingdom in 2000.

Mr. Sin Ka Man, aged 43, has over 19 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in Accounting from Curtin University of Technology, Australia. Mr. Sin is currently the company secretary of Huayu Expressway Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Sin serves as an independent non-executive director of China Motion Telecom International Limited (Stock Code: 989), Chinese People Holdings Company Limited (Stock Code: 681), PNG Resources Holdings Limited (formerly known as LeRoi Holdings Limited) (Stock Code: 221) and Xtep International Holdings Limited (Stock Code: 1368), all of which are currently listed on the Main Board of the Stock Exchange. Mr. Sin was previously an independent non-executive director of Smart-player.com Limited ("Smart-player"), a private limited company incorporated in Hong Kong providing internet services until his resignation on 31 August 2022. Within 12 months after his resignation, a winding-up petition was filed against Smart-player by a creditor on 2 April 2003 and Smart-player was resolved to be wound up on 28 May 2003 under the High Court Winding Up Order No. 380 (2003). Liquidators were subsequently appointed. Mr. Sin confirmed that he is not responsible for the winding-up of Smart-player.

Ms. Chen Hongfang, aged 48, graduated from Guangdong Provincial Party College of China in 1997. Ms. Chen has over 9 years of administration and human resources management experience.

SENIOR MANAGEMENT

Ms. Choi Yuen Wa, Frieda, aged 43, is the Financial Controller and Company Secretary of the Group. Ms. Choi joined the Group in August 2005 and is responsible for the financial management, accounting and company secretarial matters of the Group. Ms. Choi holds a master degree in Business Administration from the University of Surrey in the United Kingdom. Ms. Choi is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group, Ms. Choi had worked in the finance department of two public listed companies in Hong Kong. She has over 17 years of professional experience in the field of auditing, accounting and financial management.

Directors and Senior Management of the Group

Mr. Yao Weiyou, aged 32, is the General Manager of Qingdao Xin Haijing Packing Materials Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Qingdao Xin Haijing Packing Materials Company Limited. Mr. Yao graduated from the Faculty of Computer of Hefei Industrial University. Mr. Yao has over 9 years of experience in the EPS production and technical management. Mr. Yao is one of the "2010 Outstanding Enterprise Manager" awarded by the Huangdao local government, Qingdao City. Mr. Yao joined the Group in January 2008.

Mr. Niu Weiguo, aged 47, is the Deputy General Manager of Hefei Meiling Rongfeng Packing Materials Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Hefei Meiling Rongfeng Packing Materials Company Limited. Mr. Niu graduated from the Faculty of Mechanical Engineering of Anhui Technical Institute. Mr. Niu has over 9 years of experience in the EPS production and technical management. Mr. Niu joined the Group in January 2008.

Mr. Gou Yuguo, aged 42, is the Deputy General Manager of Qingdao Haijing Mould Products Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Qingdao Haijing Mould Products Company Limited. Mr. Gou graduated from Bazhong Mechanical Agriculture School of Sichuan Province. Mr. Gou has over 14 years of experience in the EPS production, mould production and technical management. Mr. Guo joined the Group in January 2008.

Mr. Wu Guozeng, aged 37, is the Deputy General Manager of Hefei Qipeng Paper Products Company Limited, a subsidiary of the Group, and is responsible for overseeing the operation of Hefei Qipeng Paper Products Company Limited. Mr. Wu graduated from Chuzhou Electronic Technical School of Auhui Province. Mr. Wu has over 18 years of experience in the EPS production and sales management. Mr. Wu joined the Group in January 2008.

Ms. Li Jianying, aged 31, is the Deputy General Manager of Qingdao Haijing Packing Materials Company Limited, a subsidiary of the Group, and is responsible for assisting the management of the operation of Qingdao Haijing Packing Materials Company Limited. Ms. Li graduated from the Faculty of Chemical Engineering of Qingdao Ocean University. Ms. Li has over 8 years of experience in the EPS production and sales management. Ms. Li joined the Group in January 2008.

Ms. Lu Mei, aged 30, is the General Manager Assistant of Hefei Qipeng Paper Products Company Limited, a subsidiary of the Group, and is responsible for assisting the management of the operation of Hefei Qipeng Paper Products Company Limited. Ms. Lu graduated from the Faculty of Accountancy of Hefei Industrial University. Ms. Lu joined the Group in January 2008.

Directors' Business Review

The board of directors (the "Board") of Sino Haijing Holdings Limited (the "Company") herein presents the audited annual results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year 2010, the Group recorded a total turnover of approximately HK$514.26 million, representing an increase of 37.29% as compared to approximately HK$374.58 million for the corresponding year in 2009. Profit attributable to equity shareholders of the Company was approximately HK$30.83 million, represent an increase of 111.12% as compared to approximately HK$14.60 million for the corresponding year in 2009.

BUSINESS REVIEW

During the year 2010, the "Rural Area Subsidized Electrical Appliances Purchase Policy", the "Home Appliances Replacement Policy" and the "Energy Efficient Product Subsidy Policy" implemented by the PRC government stimulated the demand of home appliances. Profit attributable to equity holders of the Company was approximately HK$30.83 million as compared to approximately HK$14.60 million in 2009, showing a significant profit improvement.

During the year under review, the Group committed to broaden the sources of income and reduce the operating costs. In addition to consolidate the existing business, the Group has also actively developed the new customers and the new markets. In 2010, the continuous rise of fuel, electricity, labour cost, raw materials and accessory materials brought high pressures on the Group's operating costs, the Group put strenuous efforts to implement effective cost-control measures, through strengthening internal management and improving operating processes resulting in a more streamlined operation and increased overall production efficiency.

In 2010, a subsidiary of the Group was successfully certified by International Safe Transit Association "ISTA", representing the laboratory test results made by that subsidiary meets the test standard of ISTA and can win global credibility recognition. It laid a good foundation for the Group's logistic and freight packaging solutions business and automotive logistics packaging business.

With respect to capital management, the Group successfully completed a share placing in December 2010, with fund raised of approximately HK$82.36 million, further strengthening the financial position of the Group and providing strong support for the Group's business.

Directors' Business Review

RECOGNITION

During the past year, the subsidiaries of the Group received numerous awards from the local governments and their business partners for their achievement, including:

- "2009 Outstanding Foreign Investment Enterprise" by the China Association of Enterprises with Foreign Investment

- "2009 Outstanding Social Responsible Foreign Investment Enterprise" by the China Association of Enterprises with Foreign Investment

- "2010 Outstanding Enterprise Manager" by the Working Committee of Xuejiadao Street, Huangdao District, Qingdao City

- "2009 Outstanding Entrepreneur" by Anhui Province Foreign Investment Association

- "2009 Outstanding Foreign Investment Enterprise" by Anhui Province Foreign Investment Association

- "2010 Midea Refrigerator Business Department – Outstanding Supplier" by Hefei Midea Group

BUSINESS OUTLOOK

The Group is actively considering to submit an application to the Stock Exchange for the transfer of listing of the Company's shares from the Growth Enterprise Market to the Main Board. The Group believes that the listing of the Company's shares on the Main Board will enhance the profile of the Group and improve the trading liquidity of the shares of the Company.

In 2011, the continuous implementation of domestic stimulus policies such as "Rural Area Subsidized Electrical Appliances Purchase Policy" and the "Subsidy for Energy Efficient Appliances" and the rapid instigation of the "Home Appliances Replacement Policy" throughout the country creating a favourable environment for the Group's business growth, the Group is cautions but optimistic for the operation in 2011. In 2011, the Group's core strategies are "to expand production capacity, optimize product structures, develop new business, strengthen internal management and team building".

Directors' Business Review

EXPAND PRODUCTION CAPACITY

To facilitate the development of growing business, the Group is actively considering to construct a new production plant in Qingdao. With the establishment of new production plant, the Group considers it will increase the production capacity of the Group and will provide better services to the customers located in Qingdao City and enhance the Group's future profitability.

OPTIMIZE THE PRODUCT STRUCTURES

In addition to consolidating the existing household electrical appliance packaging business, the Group will continue to optimize its product structures so as to boost sales value.

DEVELOP NEW BUSINESS

In addition to consolidating the existing household electrical appliance packaging business, the Group has achieved initial success in developing the automotive packaging business. A subsidiary of the Group was successfully certified by International Safe Transit Association "ISTA", representing the laboratory test results made by that subsidiary meets the test standard of ISTA and can win global credibility recognition. It laid a good foundation for the automotive packaging business.

The Group has targeted to upgrade from the manufacturer of household electrical appliance packaging products to an excellent complete packaging solutions providers so as to further improve its overall competitiveness and profitability.

STRENGTHEN THE INTERNAL MANAGEMENT

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

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

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

Directors' Business Review

TEAM BUILDING

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had current assets of approximately HK$343.49 million (2009: HK$215.20 million) of which approximately HK$95.92 million (2009: approximately HK$15.37 million) was cash and cash equivalents. The Group's current liabilities amounted to approximately HK$204.51 million (2009: HK$179.92 million (restated)) which mainly comprised its trade and other payables and interest-bearing bank and other borrowings. Taken into consideration of its current financial resources, the Group shall have adequate capital for its continual operation and development.

EMPLOYEES

As at 31 December 2010, the Group had a total of around 1,412 (2009: 917) staff based in PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

CAPITAL STRUCTURE

As at 31 December 2010, the Group's net assets were financed by internal resources and bank and other borrowings.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2010.

CAPITAL COMMITMENT

The group's capital commitment outstanding at the year end and contracted but not provided for in the financial statements is HK$2.50 million (2009: HK$0.77 million).

Directors' Business Review

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2010, the Group pledged assets with aggregate carrying value of HK$78.06 million (2009: HK$83.63 million) to secure banking and other facilities and other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities (2009: Nil).

HEDGING

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

APPRECIATION

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

For and on behalf of the Board

Chao Pang Fei
Chairman

Hong Kong, 11 March 2011

Report of the Directors

The directors present herewith their annual report and the audited consolidated financial statements of Sino Haijing Holdings Limited ("the Company") and its subsidiaries (together with the Company, "the Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	30%	
Five largest customers in aggregate	74%	
The largest supplier		24%
Five largest suppliers in aggregate		64%

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

SEGMENT REPORTING

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

FINANCIAL STATEMENTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 28.

The state of affairs of the Group and the Company as at 31 December 2010 are set out in the consolidated statement of financial position on pages 29 to 30 and the statement of financial position on page 31, respectively.

In 2010, the Company paid an interim dividend of HK4.0 cents per share, which amounted approximately HK$20.32 million. The directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2010.

Report of the Directors

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2010 and of the assets and liabilities as at 31 December 2006, 2007, 2008, 2009 and 2010 are set out on page 87.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 32.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan
Mr. Deng Chuangping (Appointed on 11 January 2010)

NON-EXECUTIVE DIRECTOR

Mr. Lan Yu Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Ka Wing
Mr. Sin Ka Man
Ms. Chen Hongfang (Appointed on 19 November 2010)
Mr. Cheng Yun Ming, Matthew (Resigned on 19 November 2010)

Report of the Directors

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

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

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the year ended 31 December 2010 and the Company considers the independent non-executive directors to be independent.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

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

As at 31 December 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Personal interests	Corporate interest	Number of underlying shares held under equity derivatives	Total	Approximate % of issued share capital
Mr. Chao Pang Fei ("Mr. Chao")	18,060,000	345,198,010 *(Note 1)*	-	363,258,010	60.06
Mr. Wang Yi	680,000	-	4,000,000 *(Note 2)*	4,680,000	0.77
Ms Hui Hongyan	-	-	2,336,000 *(Note 2)*	2,336,000	0.39
Mr. Deng Chuangping	420,000	-	2,880,000 *(Note 2)*	3,300,000	0.55

Notes:

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

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

SHARE OPTIONS GRANTED TO DIRECTORS

On 6 November 2009, the Company granted share options to certain Directors under the share option scheme (the "Share Option Scheme") that was adopted on 6 June 2003. Details of the share options movement as at 31 December 2010 are set out in the heading "Share Option Scheme" under Report of Directors.

Save as disclosed above, as at 31 December 2010, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

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

As at the 31 December 2010, so far as was known to the Directors or chief executive of the Company, the persons (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or 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 were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital are set out below:

LONG POSITIONS IN THE SHARES

Name of	Nature of interests	Number of share	Approximate percentage of the issued share capital of the Company %
Haijing Holdings	Beneficial owner	345,198,010	57.07
Ms. Sam Mei Wa	Interest of spouse	363,258,010 *(Note)*	60.06

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

SHARE OPTION SCHEME

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

The following table discloses the movement of the Company's share options during the year ended 31 December 2010.

				Number of share options				
	Date of grant	Exercisable period	Exercise price per share	Balance as at 1/1/2010	Effect of share subdivision	Exercised during the year	Lapsed upon resignation	Balance as at 31/12/2010
			HK$					
Category 1								
Directors								
Wang Yi	6/11/2009	6/11/2009-5/11/2013	0.21	4,000,000	4,000,000	(4,000,000)	–	4,000,000
Hui Hongyan	6/11/2009	6/11/2009-5/11/2013	0.21	2,336,000	2,336,000	(2,336,000)	–	2,336,000
Deng Chuangping	6/11/2009	6/11/2009-5/11/2013	0.21	2,880,000	2,880,000	(2,880,000)	–	2,880,000
				9,216,000	9,216,000	(9,216,000)	–	9,216,000
Category 2								
Employees	6/11/2009	6/11/2009-5/11/2013	0.21	14,984,000	14,984,000	(14,375,000)	(1,070,000)	14,523,000
				24,200,000	24,200,000	(23,591,000)	(1,070,000)	23,739,000

The closing price of the Company's share on 5 November 2009, the date immediately before the date of grant of the share options (6 November 2009), was HK$0.20 per share (adjusted after share subdivision in 2010). During the year ended 31 December 2010, the fair value of the share options granted recognized into equity settled share-based payment expenses are set out in note 27 to the financial statements.

COMPETING INTERESTS

As at 31 December 2010, none of the Directors or management shareholders (as defined in GEM Listing Rules) of the Company or their respective associates had interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Company.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE REPORT

The Company complied with Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughs at the year ended 31 December 2010 with the exception of deviation for Code Provision A.2.1.

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

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

Report of the Directors

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

THE BOARD

RESPONSIBILITIES

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

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

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

COMPOSITION

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

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

EXECUTIVE DIRECTORS:

Mr. Chao Pang Fei *(Chairman)*
Mr. Wang Yi
Ms. Hui Hongyan
Mr. Deng Chuangping (Appointed on 11 January 2010)

NON-EXECUTIVE DIRECTOR:

Mr. Lan Yu Ping

Report of the Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Ho Ka Wing *(Chairman of Audit Committee and Remuneration Committee)*
Mr. Sin Ka Man *(member of Audit Committee and Remuneration Committee)*
Ms. Chen Hongfang *(member of Audit Committee and Remuneration Committee)*

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

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

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

In accordance with the Company's articles of association, all directors for the time being shall retire from office and being eligible, offer themselves for re-election at the forthcoming annual general meeting. Detailed information of the directors standing for re-election will be included in the Company's circular to be dispatched together with the notice of the 2010 annual general meeting.

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

BOARD AND BOARD COMMITTEES MEETINGS

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

During the year ended 31 December 2010, 10 Board meetings (4 of which were regular Board meetings) and 4 Audit Committee meetings and 2 Remuneration Committee meetings were held.

Report of the Directors

The individual attendance record of each director at the meetings of the Board, Audit Committee and Remuneration Committee during the year ended 31 December 2010 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
– Mr. Chao Pang Fei	9/10	N/A	1/2
– Mr. Wang Yi	6/10	N/A	N/A
– Ms. Hui Hongyan	10/10	N/A	1/2
– Mr. Deng Chuangping – Appointed on 11 January 2010	6/10	N/A	N/A
Non-Executive Director			
– Mr. Lan Yu Ping	5/10	N/A	N/A
Independent Non-Executive Directors			
– Mr. Ho Ka Wing *(Chairman of Audit Committee and Remuneration Committee)*	5/10	4/4	2/2
– Mr. Sin Ka Man *(member of Audit Committee and Remuneration Committee)*	6/10	4/4	2/2
– Mr. Cheng Yun Ming, Matthew *(member of Audit Committee and Remuneration Committee)* – Resigned on 19 November 2010	5/10	4/4	1/2
– Ms. Chen Hongfang *(member of Audit Committee and Remuneration Committee)* – Appointed on 19 November 2010	N/A	N/A	N/A

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

All the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Composition" of this report.

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company had established an audit committee in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group.

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

During the year, the audit committee held four meetings to review and comment on the Company's 2009 annual report, 2010 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2010 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2010.

Report of the Directors

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 26 to 27.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company in respect of audit services for the year ended 31 December 2010 amounted to HK$550,000.

INTERNAL CONTROLS

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

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's articles of association. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2010 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board Committee attended the 2010 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2010 annual general meeting on each substantial issue, including the election of individual directors.

Report of the Directors

PUBLIC FLOAT

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

AUDITOR

The financial statements for the financial years ended 31 December 2008 and 2009 were audited by CCIF CPA Limited. CCIF CPA Limited, who acted as auditor of the Company since 6 January 2006, had resigned with effect from 14 October 2010 and Mazars CPA Limited, *Certified Public Accountants*, was appointed as auditor of the Company on 8 November 2010 to fill the casual vacancy and to hold office until the conclusion of the forthcoming annual general meeting of the Company, who will retire and, being eligible, offer themselves for re-appointment.

On behalf of the board

Chao Pang Fei
Chairman
Hong Kong, 11 March 2011

Independent Auditor's Report

MAZARS

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel電話: (852) 2909 5555
Fax傳真: (852) 2810 0032
Email電郵 : info@mazars.com.hk
Website網址 : www.mazars.com.hk

To the shareholders of
Sino Haijing Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Haijing Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 86, which comprise the consolidated and the Company's statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel電話: (852) 2909 5555
Fax傳真: (852) 2810 0032
Email電郵: info@mazars.com.hk
Website網址: www.mazars.com.hk

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

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

OPINION

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

Certified Public Accountants
Hong Kong, 11 March 2011

Eunice Y M Kwok
Practising Certificate number: P04604

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Turnover	5	**514,262**	374,581
Cost of sales		**(420,918)**	(311,169)
Gross profit		**93,344**	63,412
Other revenue and other income	7	**6,857**	3,942
Administrative and other operating expenses		**(49,578)**	(39,853)
Profit from operations		**50,623**	27,501
Finance costs	8	**(7,139)**	(5,570)
Profit before tax	8	**43,484**	21,931
Income tax expense	11	**(10,594)**	(5,955)
Profit for the year		**32,890**	15,976
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**9,944**	(17)
Total comprehensive income for the year		**42,834**	15,959
Profit attributable to:			
Equity holders of the Company	12	**30,828**	14,602
Non-controlling interests		**2,062**	1,374
		32,890	15,976
Total comprehensive income attributable to:			
Equity holders of the Company		**40,157**	14,585
Non-controlling interests		**2,677**	1,374
		42,834	15,959
Earnings per share	14		
– Basic		**HK6.2 cents**	HK3.0 cents
– Diluted		**HK6.1 cents**	HK3.0 cents

Consolidated Statement of Financial Position

At 31 December 2010

	Note	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000
Non-current assets				
Property, plant and equipment	15	**118,832**	117,051	116,015
Lease premium for land	16	**25,374**	24,991	22,272
Goodwill	17	**70,186**	67,717	67,723
		214,392	209,759	206,010
Current assets				
Financial assets at fair value through profit or loss	19	**38**	50	–
Inventories	20	**16,788**	12,750	18,318
Lease premium for land	16	**551**	590	514
Trade and other receivables	21	**230,193**	186,440	177,334
Bank balances and cash		**95,923**	15,365	5,254
		343,493	215,195	201,420
Current liabilities				
Trade and other payables	22	**114,855**	110,604	110,622
Bank and other borrowings	23	**87,527**	67,328	67,929
Current tax payable		**2,131**	1,988	1,905
		204,513	179,920	180,456
Net current assets		**138,980**	35,275	20,964
Total assets less current liabilities		**353,372**	245,034	226,974
Non-current liabilities				
Deferred tax liabilities	24	**2,718**	3,254	2,749
NET ASSETS		**350,654**	241,780	224,225

Consolidated Statement of Financial Position

At 31 December 2010

	Note	**31 December 2010 *HK$'000***	31 December 2009 *HK$'000* (Restated)	1 January 2009 *HK$'000*
Capital and reserves				
Share capital	*25*	**30,242**	24,219	24,219
Reserves	*26*	**304,043**	202,068	185,887
Equity attributable to equity holders of the Company		**334,285**	226,287	210,106
Non-controlling interests		**16,369**	15,493	14,119
TOTAL EQUITY		**350,654**	241,780	224,225

Approved and authorised for issue by the Board of Directors on 11 March 2011.

Chao Pang Fei
Director

Hui Hongyan
Director

Statement of Financial Position

At 31 December 2010

	Note	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000
NON-CURRENT ASSETS				
Interests in subsidiaries	18	**241,435**	157,450	161,472
CURRENT ASSETS				
Financial assets at fair value through profit or loss	19	**38**	50	–
Bank balances and cash		**28,327**	601	109
		28,365	651	109
CURRENT LIABILITIES				
Other payables	22	**417**	718	2,883
Bank borrowings	23	**5,167**	3,267	–
		5,584	3,985	2,883
NET CURRENT ASSETS (LIABILITIES)		**22,781**	(3,334)	(2,774)
NET ASSETS		**264,216**	154,116	158,698
CAPITAL AND RESERVES				
Share capital	25	**30,242**	24,219	24,219
Reserves	26	**233,974**	129,897	134,479
TOTAL EQUITY		**264,216**	154,116	158,698

Approved and authorised for issue by the Board of Directors on 11 March 2011.

Chao Pang Fei
Director

Hui Hongyan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$000	Capital reserve HK$'000	Share options reserve HK$'000	Statutory surplus reserves HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	24,219	153,923	117	–	5,957	12,955	12,935	210,106	14,119	224,225
Profit for the year	–	–	–	–	–	–	14,602	14,602	1,374	15,976
Transfer	–	–	–	–	4,147	–	(4,147)	–	–	–
Other comprehensive loss for the year										
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(17)	–	(17)	–	(17)
Transactions with equity holders of the Company recognised directly in equity										
Equity settled share-based transactions	–	–	–	1,596	–	–	–	1,596	–	1,596
At 31 December 2009 and 1 January 2010	24,219	153,923	117	1,596	10,104	12,938	23,390	226,287	15,493	241,780
Interim dividend to non-controlling interests	–	–	–	–	–	–	–	–	(1,801)	(1,801)
Profit for the year	–	–	–	–	–	–	30,828	30,828	2,062	32,890
Transfer	–	–	–	–	2,752	–	(2,752)	–	–	–
Other comprehensive income for the year										
Exchange difference arising from translation of foreign operations	–	–	–	–	–	9,329	–	9,329	615	9,944
Transactions with equity holders of the Company recognised directly in equity										
Equity settled share-based transactions	–	–	–	898	–	–	–	898	–	898
Exercise of share options	1,180	5,198	–	(1,424)	–	–	–	4,954	–	4,954
Interim dividends to equity holders	–	(5,000)	–	–	–	–	(15,318)	(20,318)	–	(20,318)
Lapse of share options	–	–	–	(55)	–	–	–	(55)	–	(55)
Subscription of new shares, net of expenses	4,843	77,519	–	–	–	–	–	82,362	–	82,362
At 31 December 2010	30,242	231,640	117	1,015	12,856	22,267	36,148	334,285	16,369	350,654

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	2010 *HK$'000*	2009 *HK$'000*
Profit before tax	**43,484**	21,931
Exchange difference	**1,107**	–
Interest expenses	**7,139**	5,570
Depreciation of property, plant and equipment	**19,481**	17,144
Amortisation of lease premium for land	**578**	278
Impairment loss on plant and machinery	**–**	572
Allowance for trade receivables	**–**	161
Interest income	**(200)**	(220)
(Gain) Loss on disposal of property, plant and equipment	**(749)**	72
Fair value change of financial assets at fair value through profit or loss	**12**	–
Equity-settled share-based payments	**843**	1,596
Changes in working capital:		
Inventories	**(3,573)**	5,568
Trade and other receivables	**(36,962)**	(9,267)
Trade and other payables	**610**	(18)
Cash generated from operations	**31,770**	43,387
Interest received	**200**	220
Income tax paid	**(11,165)**	(5,365)
Net cash generated from operating activities	**20,805**	38,242
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(21,996)**	(20,036)
Proceeds from disposal of property, plant and equipment	**5,671**	1,203
Purchase of financial assets at fair value through profit or loss	**–**	(50)
Payment for lease premium for land	**(4)**	(3,072)
Net cash used in investing activities	**(16,329)**	(21,955)
FINANCING ACTIVITIES		
Dividend paid	**(22,119)**	–
Subscription of new shares, net of expenses	**82,362**	–
Proceeds from shares issued upon exercise of share options	**4,954**	–
New bank and other borrowings raised	**120,989**	67,328
Repayment of bank and other borrowings	**(103,502)**	(67,929)
Interest paid	**(7,139)**	(5,570)
Net cash from (used in) financing activities	**75,545**	(6,171)
Net increase in cash and cash equivalents	**80,021**	10,116
Effect on exchange rate changes	**537**	(5)
Cash and cash equivalents at beginning of reporting period	**15,365**	5,254
Cash and cash equivalents at end of reporting period, represented by bank balances and cash	**95,923**	15,365

1. CORPORATE INFORMATION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

a) BASIS OF PREPARATION

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2009 consolidated financial statements, except for the adoption of the following new/revised HKFRS that are relevant to the Group effective from the current year. A summary of the principal accounting policies adopted by the Group is set out below.

HK – Int 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation concludes that, if a term loan (i.e. a loan that is repayable on a specified date or in installments over a specified period, usually in excess of one year) has a demand clause (i.e. a clause that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion) in its term, the loan shall be classified by the borrower as a current liability in the statement of financial position. Similarly, the amounts repayable under such a term loan shall be classified in the earliest time bracket in the contractual maturity analysis as required to be disclosed under HKFRS 7: Financial Instruments: Disclosures. The adoption of this Interpretation has resulted in the Group and the Company reclassifying interest-bearing bank borrowings amounting to HK$3,767,000, HK$2,467,000 and Nil as at 31 December 2010, 31 December 2009 and 1 January 2009, respectively, from non-current liabilities to current liabilities and making necessary changes to the relevant disclosures accordingly.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

a) BASIS OF PREPARATION *(Continued)*

HKAS 27 (Revised): Consolidated and Separate Financial Statements

The revised standard requires accounting for changes in ownership interests in a subsidiary, while maintaining control, to be recognised as an equity transaction. It also requires, when the group loses control of a subsidiary, any interest retained in the former subsidiary to be remeasured at fair value with the gain or loss recognised in profit or loss. This principle is also extended to a disposal of an associate through the consequential amendments to HKAS 28: Investments in Associates. The adoption of the revised standard did not have material impact on the financial statements for the year ended 31st December 2010.

Amendments to HKAS 17: Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17: Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January 2010 based on information that existed at the inception of the leases. There is no leasehold land that qualifies for finance lease classification, hence, no prepaid lease payment has been reclassified to property, plant, and equipment retrospectively.

b) BASIS OF MEASUREMENT

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) BASIS OF CONSOLIDATION

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

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

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of the Company. For each business combination occurs on or after 1 January 2010, the non-controlling interest in the acquiree is measured initially either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. For each business combination occurred prior to 1 January 2010, the non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's net assets.

i) Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. From 1 January 2010, total comprehensive income is attributed to the equity holders of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) BASIS OF CONSOLIDATION *(Continued)*

ii) Changes in ownership interest

From 1 January 2010, changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

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

Prior to 1 January 2010, the Group applied a policy of treating transactions with non-controlling interest as transactions with equity holders of the Group and thus any adjustments arising from an acquisition of or disposal to non-controlling interest were made through equity. Any increase in the Group's ownership interest in a subsidiary was treated in the same manner as an acquisition. For decreases in the Group's ownership interest in a subsidiary, regardless of whether the disposals would result in a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

d) SUBSIDIARIES

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

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

e) GOODWILL

From 1 January 2010, goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Prior to 1 January 2010, goodwill represented the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries.

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

From 1 January 2010, in respect of a subsidiary, any excess of the acquisition amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. Prior to 1 January 2010, any excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries over the related cost of acquisition, after reassessment, was recognised immediately in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

f) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

g) CONSTRUCTION-IN-PROGRESS

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

h) LEASE PREMIUM FOR LAND

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS

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

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

i) Financial assets at fair value through profit or loss

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

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

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

ii) Loans and receivables

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i) FINANCIAL INSTRUMENTS *(Continued)*

iii) Impairment of financial assets

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

iv) Financial liabilities

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

j) CASH EQUIVALENTS

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

k) REVENUE RECOGNITION

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

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

m) INVENTORIES

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

n) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

o) BORROWING COSTS

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) PROVISIONS

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

q) GOVERNMENT GRANTS

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

r) LEASES

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

s) EMPLOYEE BENEFITS

i) *Short-term employee benefits*

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

ii) *Defined contribution plans*

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

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

t) SHARE-BASED PAYMENT TRANSACTIONS

i) *Equity-settled transactions*

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

u) TAXATION

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

v) RELATED PARTIES

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

w) SEGMENT REPORTING

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

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

3. FUTURE CHANGES IN HKFRS

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

Amendments to HKAS 32	Classification of Rights Issues [1]
Amendments to HKFRS 1 (Revised)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]
HKAS 24 (Revised)	Related Party Disclosures [3]
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement [3]
Improvements to HKFRSs 2010	Improvements to HKFRSs 2010 [4]
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets [5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets [6]
HKFRS 9	Financial Instruments [7]

[1] *Effective for annual periods beginning on or after 1 February 2010*

[2] *Effective for annual periods beginning on or after 1 July 2010*

[3] *Effective for annual periods beginning on or after 1 January 2011*

[4] *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate*

[5] *Effective for annual periods beginning on or after 1 July 2011*

[6] *Effective for annual periods beginning on or after 1 January 2012*

[7] *Effective for annual periods beginning on or after 1 January 2013*

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

i) KEY SOURCES OF ESTIMATION UNCERTAINTY

a) *Impairment of receivables*

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

b) *Impairment of goodwill*

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

c) *Estimated net realisable value of inventories*

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

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

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

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

5. TURNOVER

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

6. SEGMENT REPORTING

a) SEGMENT REVENUE, RESULTS, ASSETS AND LIABILITIES

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

b) GEOGRAPHICAL INFORMATION

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

6. SEGMENT REPORTING *(Continued)*

c) INFORMATION ABOUT MAJOR CUSTOMERS

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

	2010 *HK$'000*	2009 *HK$'000*
Customer A	154,122	151,046
Customer B	80,226	72,424
Customer C	67,813	–
	302,161	223,470

7. OTHER REVENUE AND OTHER INCOME

	2010 *HK$'000*	2009 *HK$'000*
Other revenue		
Interest income	200	220
Other income		
Government grants	3,056	1,383
Sale of raw materials and scrap products	1,189	1,105
Sale of steam	756	522
Compensation received from suppliers	760	412
Net gain (loss) on sale of property, plant and equipment	749	(72)
Net exchange gain (loss)	139	(65)
Sundry income	8	437
	6,657	3,722
	6,857	3,942

8. PROFIT BEFORE TAX

This is stated after charging:

	2010 *HK$'000*	2009 *HK$'000*
a) FINANCE COSTS:		
Interest on bank and other borrowings wholly repayable within five years	**7,139**	5,570
b) STAFF COSTS (DIRECTORS' EMOLUMENTS INCLUDED):		
Salaries, wages and other benefits	**31,406**	29,274
Equity settled share-based payment expenses	**843**	1,596
Contribution to defined contribution retirement plans	**2,480**	1,113
	34,729	31,983
c) OTHER ITEMS:		
Amortisation of lease premium for land	**578**	278
Depreciation of property, plant and equipment	**19,481**	17,144
Impairment loss for plant and machinery	**–**	572
Allowance for trade receivables	**–**	161
Auditor's remuneration	**550**	595
Operating lease charges on rented premises	**5,665**	5,401
Cost of inventories *(Note)*	**420,918**	311,169

Note: Cost of inventories includes HK$41,455,000 (2009: HK$34,665,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 8(b) for each of these types of expenses.

9. DIRECTORS' EMOLUMENTS

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

Name of director	Fees HK$'000	Other emoluments: Salaries, allowances and other benefits HK$'000	Other emoluments: Retirement scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive Directors					
Chao Pang Fei	–	360	12	–	372
Wang Yi	–	379	11	148	538
Hui Hongyan	–	252	9	87	348
Deng Chuangping *(Note i)*	–	279	9	107	395
Non-executive director					
Lan Yu Ping	78	–	–	–	78
Independent Non-executive Directors					
Ho Ka Wing	78	–	–	–	78
Cheng Yun Ming, Matthew *(Note ii)*	64	–	–	–	64
Sin Ka Man	78	–	–	–	78
Chen Hongfang *(Note iii)*	8	–	–	–	8
Total for 2010	**306**	**1,270**	**41**	**342**	**1,959**
Executive Directors					
Chao Pang Fei	–	360	12	–	372
Wang Yi	–	359	14	264	637
Hui Hongyan	–	212	10	154	376
Non-executive director					
Lan Yu Ping	78	–	–	–	78
Independent Non-executive Directors					
Ho Ka Wing					
Cheng Yun Ming, Matthew	78	–	–	–	78
Sin Ka Man	78	–	–	–	78
Ho Ka Wing	78	–	–	–	78
Total for 2009	312	931	36	418	1,697

Note:

i) Appointed on 11 January 2010

ii) Resigned on 19 November 2010

iii) Appointed on 19 November 2010

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

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, four (2009: three) directors are included in the five highest paid individuals of the Group. The emoluments of the remaining one (2009: two) highest paid individual, who is an employee of the Group, are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries, allowances and other benefits in kind	894	991
Share-based payments	72	318
Retirement benefits scheme contributions	12	20
	978	1,329

The emoluments of each of the above highest paid individuals for both years were less than HK$1,000,000.

11. TAXATION

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

	2010 HK$'000	2009 HK$'000
Current tax		
PRC enterprise income tax ("PRC EIT")		
– Current year	10,958	5,450
– Underprovision in prior year	275	–
Deferred tax *(note 24(a))*	(639)	505
Tax expense for the year	10,594	5,955

11. TAXATION *(Continued)*

RECONCILIATION OF TAX EXPENSE

	2010 *HK$'000*	2009 *HK$'000*
Profit before tax	43,484	21,931
Tax at a weighted average rate of 28.9% (2009: 27.4%) applicable to the jurisdictions concerned	12,585	6,003
Non-deductible expenses	956	1,757
Non-taxable income	(75)	(272)
Effect on tax incentives/holiday	(2,215)	(2,487)
Unrecognised temporary differences	(406)	385
(Reversal of) Provision for withholding tax on distributable profits of PRC subsidiaries	(575)	569
Under-provision of PRC EIT in prior year	275	–
Others	49	–
Tax expense for the year	10,594	5,955

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of HK$42,259,000 (2009: loss of HK$6,178,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2010 *HK$'000*	2009 *HK$'000*
Interim dividends of HK4 cents per share (2009: Nil)	20,318	–

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2010.

14. EARNINGS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**30,828**	14,602

	2010	2009
	Number of shares	Number of shares
	'000	*'000*
Issued ordinary shares at 1 January	**242,190**	242,190
Effect of shares subdivision *(Note)*	**242,190**	242,190
Effect of share options exercised	**5,604**	–
Effect of placement of new shares	**3,981**	–
Weighted average number of ordinary shares for basic earnings per share	**493,965**	484,380
Effect of dilutive potential ordinary shares:		
Deemed issue of shares under the Company's share option scheme	**12,260**	242
Weighted average number of ordinary shares for diluted earnings per share	**506,225**	484,622
Earnings per share:		
– Basic	**6.2 cents**	3.0 cents
– Diluted	**6.1 cents**	3.0 cents

Note: The number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the year of 2010 and 2009 has been adjusted to reflect the impact of the share subdivision effected during the year.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost								
At 1 January 2010	29,520	272	60,903	6,466	6,686	34,873	10,519	149,239
Exchange realignment	1,193	14	3,199	379	338	1,620	396	7,139
Additions	352	–	6,249	1,700	2,132	8,436	3,127	21,996
Transfer	–	420	1,726	476	–	–	(2,622)	–
Disposals	–	–	(4,796)	(359)	(1,356)	(1,463)	–	(7,974)
At 31 December 2010	31,065	706	67,281	8,662	7,800	43,466	11,420	170,400
Accumulated depreciation and impairment								
At 1 January 2010	2,018	168	15,646	1,957	1,845	10,554	–	32,188
Exchange realignment	217	2	1,632	196	172	732	–	2,951
Charge for the year	1,473	75	8,140	1,158	1,528	7,107	–	19,481
Written back on disposals	–	–	(1,603)	(203)	(979)	(267)	–	(3,052)
At 31 December 2010	3,708	245	23,815	3,108	2,566	18,126	–	51,568
Net book value								
At 31 December 2010	27,357	461	43,466	5,554	5,234	25,340	11,420	118,832
Cost								
At 1 January 2009	22,210	272	56,626	6,252	5,132	28,051	12,404	130,947
Exchange realignment	4	–	(4)	–	1	3	(3)	1
Additions	767	–	4,250	301	1,733	7,200	5,785	20,036
Transfer	6,539	–	885	–	–	–	(7,424)	–
Disposals	–	–	(854)	(87)	(180)	(381)	(243)	(1,745)
At 31 December 2009	29,520	272	60,903	6,466	6,686	34,873	10,519	149,239
Accumulated depreciation and impairment								
At 1 January 2009	743	121	7,838	967	824	4,439	–	14,932
Exchange realignment	1	–	4	–	1	4	–	10
Charge for the year	1,274	47	7,421	1,051	1,181	6,170	–	17,144
Impairment loss	–	–	572	–	–	–	–	572
Written back on disposals	–	–	(189)	(61)	(161)	(59)	–	(470)
At 31 December 2009	2,018	168	15,646	1,957	1,845	10,554	–	32,188
Net book value								
At 31 December 2009	27,502	104	45,257	4,509	4,841	24,319	10,519	117,051

The Group's buildings are located in the PRC and held under medium-term leases.

16. LEASE PREMIUM FOR LAND

	Group	
	2010	2009
	HK$'000	*HK$'000*
Net book value		
At beginning of reporting period	**25,581**	22,786
Exchange realignment	**918**	1
Additions	**4**	3,072
Amortisation	**(578)**	(278)
At end of reporting period	**25,925**	25,581
Outside Hong Kong, held under:		
Medium-term lease	**25,925**	25,581
Analysed for reporting purposes as:		
Current asset	**551**	590
Non-current asset	**25,374**	24,991
	25,925	25,581

17. GOODWILL

	Group	
	2010	2009
	HK$'000	*HK$'000*
Cost and carrying amount:		
At beginning of reporting period	**67,717**	67,723
Exchange realignment	**2,469**	(6)
At end of reporting period	**70,186**	67,717

The carrying amounts of goodwill net of any impairment loss as at 31 December 2010 is attributable to the Group's cash-generating unit of manufacturing and sale of paper honeycomb and expandable polystyrene ("EPS") packaging materials.

The recoverable amount of goodwill has been determined on the basis of a value in use calculation. Its recoverable amounts is based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 3-year period, and a discount rate of 14.90% (2009: 13.48%). The discount rates used are pre-tax and reflect specific rates relating to the relevant segment. The cash flow beyond the 3-year period is extrapolated using zero growth rate (2009: Zero growth rate). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period are also based on the expected sale of packaging materials during the budget period. Expected cash inflows/outflows, which include the sale of packaging materials have been determined based on past performance and management's expectations for the market development.

18. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	Company 2009 HK$'000
Unlisted shares, at cost	11	11
Due from subsidiaries	242,661	158,676
	242,672	158,687
Less: Impairment loss	(1,237)	(1,237)
	241,435	157,450

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

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

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

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company 2010 HK$'000	2009 HK$'000
Held for trading, listed in Hong Kong	38	50

20. INVENTORIES

	Group 2010 HK$'000	Group 2009 HK$'000
Raw materials and consumables	**9,209**	7,763
Work-in-progress	**1,340**	468
Finished goods	**6,239**	4,519
	16,788	12,750

21. TRADE AND OTHER RECEIVABLES

	Group 2010 HK$'000	Group 2009 HK$'000
Trade and bills receivables		
From third parties	**191,467**	125,598
From non-controlling interests	**20,610**	17,112
	212,077	142,710
Less: Allowance for trade receivables *(Note 21(b))*	**(167)**	(161)
	211,910	142,549
Other receivables	**2,227**	1,443
Prepayments and deposits	**16,056**	42,448
	230,193	186,440

21. TRADE AND OTHER RECEIVABLES *(Continued)*

a) The normal credit period granted to the customers of the Group is 60 to 90 days (2009: 60 to 90 days). The ageing analysis of the trade and bills receivables at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**201,340**	118,091
Over 3 months but within 6 months	**10,028**	24,334
Over 6 months but within 1 year	**202**	80
Over 1 year	**507**	205
	212,077	142,710
Less: Allowance for trade receivables	**(167)**	(161)
	211,910	142,549

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

The movement in allowance for trade receivables at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At beginning of reporting period	**161**	–
Increase in allowance	**–**	161
Exchange realignment	**6**	–
At end of reporting period	**167**	161

21. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**201,340**	118,091
Less than 3 months past due	**10,028**	24,334
3 months to 1 year past due	**202**	80
Over 1 year past due	**340**	44
Past due but not impaired	**10,570**	24,458
	211,910	142,549

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

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

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables *(Note 22(a))*	**53,043**	44,661	**–**	–
Bills payables	**51,801**	47,947	**–**	–
	104,844	92,608	**–**	–
Amount due to a related company *(Note 22(b))*	**85**	82	**–**	–
Amount due to a former shareholder of certain subsidiaries	**–**	10,015	**–**	–
Other payables	**9,926**	7,899	**417**	718
	114,855	110,604	**417**	718

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**73,351**	56,047
Over 3 months but within 6 months	**29,131**	33,819
Over 6 months but within 1 year	**1,282**	1,547
Over 1 year	**1,080**	1,195
	104,844	92,608

(a) Trade payables of approximately HK$5,070,000 (2009: HK$4,481,000) is guaranteed by Mr. Chao Pang Fei, the controlling shareholder of the Company ("Mr. Chao").

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

23. BANK AND OTHER BORROWINGS

	Group			Company		
	31/12/2010	31/12/2009	1/1/2009	**31/12/2010**	31/12/2009	1/1/2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
		(Restated)			(Restated)	
Current						
Bank borrowings – secured	**61,203**	33,253	30,444	**5,167**	3,267	–
Other borrowings – secured	**26,324**	34,075	28,398	**–**	–	–
Bank borrowings - unsecured	**–**	–	9,087	**–**	–	–
	87,527	67,328	67,929	**5,167**	3,267	–

Bank borrowings of HK$5,167,000 (2009: HK$3,267,000), with a clause in their terms that gives the lender an overriding right to demand payment without notice or with notice period of less than 12 months at its sole discretion, are classified as current liabilities even though the directors do not expect the lender would exercise its rights to demand payment.

At 31 December 2010, the amounts due based on the scheduled repayment dates set out in the loan agreements ignoring the effect of any repayment on demand clause would be as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank borrowings				
Within one year or on demand	**57,436**	30,786	**1,400**	800
After 1 year but within 2 years	**1,400**	800	**1,400**	800
After 2 years but within 5 years	**2,367**	1,667	**2,367**	1,667
	61,203	33,253	**5,167**	3,267
Other borrowings within one year or on demand	**26,324**	34,075	**–**	–
	87,527	67,328	**5,167**	3,267

23. BANK AND OTHER BORROWINGS *(Continued)*

Included in the Group's other borrowings are interest-free borrowings of HK$1,589,000 (2009: Nil) whereas the remaining other borrowings are interest-bearing at fixed or variable interest rates. The ranges of effective interest rates on the Group's borrowings are as follows:

	Group		Company	
	2010	2009	**2010**	2009
Effective interest rates per annum				
Bank borrowings – secured	**2.70% to 6.97%**	2.07% to 5.84%	**2.70%**	2.07%
Other borrowings – secured	**6.10% to 6.39%**	5.31%	**N/A**	N/A

Bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**82,360**	64,061	**–**	–
Hong Kong dollars	**5,167**	3,267	**5,167**	3,267
	87,527	67,328	**5,167**	3,267

The bank and other borrowings were secured by:

(a) the Group's buildings with a carrying value of approximately HK$27,357,000 (2009: HK$27,502,000);

(b) certain of the Group's lease premium for land with a carrying value of approximately HK$18,878,000 (2009: HK$18,647,000);

(c) certain of the Group's trade and other receivables with a carrying value of approximately HK$31,824,000 (2009: HK$37,482,000); and

(d) personal guarantee of Mr. Chao and guarantee of an independent third party and property of Mr. Chao and his spouse.

24. DEFERRED TAX LIABILITIES

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

	Group		
	Fair value adjustment on lease premium for land	**Withholding taxes**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009	2,749	–	2,749
(Credit) Charge to profit or loss	(64)	569	505
At 31 December 2009 and 1 January 2010	2,685	569	3,254
Credit to profit or loss	(64)	(575)	(639)
Exchange realignment	97	6	103
At 31 December 2010	2,718	–	2,718

In March 2007, the National People's Congress enacted a new Enterprise Income tax Law, which became effective on 1 January 2008 (the "New PRC EIT Law"). Pursuant to the New PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax liabilities are provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

24. DEFERRED TAX LIABILITIES *(Continued)*

b) DEFERRED TAX ASSETS NOT RECOGNISED

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

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

	2010 *HK$'000*	2009 *HK$'000*
Tax losses without expiry date	**499,000**	499,000
Tax losses expiring on 31 December 2015	**311,162**	–
Tax losses expiring on 31 December 2014	**1,013,441**	–
Tax losses expiring on 31 December 2013	**808,284**	–
	2,631,887	499,000

25. SHARE CAPITAL

		Group and Company			
		2010		2009	
	Note	**No. of shares**	***HK$'000***	No. of shares	*HK$'000*
Authorised:					
Ordinary shares of HK$0.05 each (2009: HK$0.1 each)		**2,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:					
At beginning of the reporting period		**242,189,655**	**24,219**	242,189,655	24,219
Shares subdivision	*(a)*	**242,189,655**	**–**	–	–
Exercise of share options	*(b)*	**23,591,000**	**1,180**	–	–
Placement of new shares	*(c)*	**96,870,000**	**4,843**	–	–
At end of the reporting period		**604,840,310**	**30,242**	242,189,655	24,219

a) Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 May 2010, every one issued and unissued ordinary share of HK$0.1 each in the share capital of the Company is subdivided into 2 shares of HK$0.05 each. Upon the shares subdivision becoming effective on 4 May 2010, the authorised share capital of the Company became HK$100,000,000 divided into 2,000,000,000 subdivided shares, of which 484,379,310 subdivided shares are in issue and fully paid.

b) During the year ended 31 December 2010, 23,591,000 (2009: Nil) ordinary shares were issued at exercise price of HK$0.21 per share in total amount of HK$4,954,000 (2009: Nil) as a result of the exercise of share options of the Company.

c) On 15 December 2010, 96,870,000 new ordinary shares were issued at HK$0.87 per share pursuant to a placing and subscription agreement dated 8 December 2010 entered between the Company, Haijing Holdings Limited, the ultimate holding company of the Company and a placing agent.

26. RESERVES

GROUP

	Share premium HK$000 (Note (a))	Capital reserve HK$'000 (Note (b))	Share options reserve HK$'000 (Note (c))	Statutory surplus reserves HK$'000 (Note (d))	Translation reserve HK$'000 (Note (e))	Retained profits HK$'000	Total HK$'000
At 1 January 2009	153,923	117	–	5,957	12,955	12,935	185,887
Profit for the year	–	–	–	–	–	14,602	14,602
Transfer	–	–	–	4,147	–	(4,147)	–
Other comprehensive loss for the year							
Exchange difference arising from translation of foreign operations	–	–	–	–	(17)	–	(17)
Transactions with equity holders of the Company recognised directly in equity							–
Equity settled share-based transactions	–	–	1,596	–	–	–	1,596
At 31 December 2009 and 1 January 2010	153,923	117	1,596	10,104	12,938	23,390	202,068
Profit for the year	–	–	–	–	–	30,828	30,828
Transfer	–	–	–	2,752	–	(2,752)	–

26. RESERVES *(Continued)*

GROUP *(Continued)*

	Share premium *HK$000* *(Note (a))*	Capital reserve *HK$'000* *(Note (b))*	Share options reserve *HK$'000* *(Note (c))*	Statutory surplus reserves *HK$'000* *(Note (d))*	Translation reserve *HK$'000* *(Note (e))*	Retained profits *HK$'000*	Total *HK$'000*
Other comprehensive income for the year							
Exchange difference arising from translation of foreign operations	–	–	–	–	9,329	–	9,329
Transactions with equity holders of the Company recognised directly in equity							
Equity settled share-based transactions	–	–	898	–	–	–	898
Exercise of share options	5,198	–	(1,424)	–	–	–	3,774
Interim dividends	(5,000)	–	–	–	–	(15,318)	(20,318)
Lapse of share options	–	–	(55)	–	–	–	(55)
Subscription of new shares, net of expenses	77,519	–	–	–	–	–	77,519
At 31 December 2010	**231,640**	**117**	**1,015**	**12,856**	**22,267**	**36,148**	**304,043**

26. RESERVES *(Continued)*

COMPANY

	Share premium HK$'000 (Note (a))	Share options reserve HK$'000 (Note (c))	Contributed surplus HK$'000 (Note (f))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	153,923	–	8,467	(27,911)	134,479
Equity settled share-based transactions	–	1,596	–	–	1,596
Loss for the year	–	–	–	(6,178)	(6,178)
At 31 December 2009 and 1 January 2010	153,923	1,596	8,467	(34,089)	129,897
Profit for the year	–	–	–	42,259	42,259
Transactions with equity holders of the Company recognised directly in equity					
Equity settled share-based transactions	–	898	–	–	898
Exercise of share options	5,198	(1,424)	–	–	3,774
Lapse of share options	–	(55)	–	–	(55)
Subscription of new shares, net of expenses	77,519	–	–	–	77,519
Interim dividend paid	(5,000)	–	(8,350)	(6,968)	(20,318)
At 31 December 2010	**231,640**	**1,015**	**117**	**1,202**	**233,974**

26. RESERVES *(Continued)*

COMPANY *(Continued)*

(a) Share premium

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

(b) Capital reserve

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

(c) Share options reserve

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

(d) Statutory surplus reserves

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

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

(e) Translation reserve

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

(f) Contributed surplus

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

26. RESERVES *(Continued)*

COMPANY *(Continued)*

(g) Distributable reserves

The Company's reserves as at 31 December 2010 available for distribution to shareholders are HK$232,959,000 (2009: HK$128,301,000).

27. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

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

(a) Movements in share options:

	Number of options 2010	2009
At beginning of reporting period	**24,200,000**	–
Granted during the year	**–**	24,200,000
Effect of the shares subdivision	**24,200,000**	
Exercised during the year	**(23,591,000)**	–
Lapsed during the year	**(1,070,000)**	–
At end of reporting period	**23,739,000**	24,200,000
Options vested at end of reporting period	**74,000**	12,100,000

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

Date of grant	Exercise period	Exercise price HK$	Number of options Fully vested 2010	Fully vested 2009	Not yet vested 2010	Not yet vested 2009
6 November 2009	6 November 2009 – 5 November 2012	0.42 (0.21 after the shares subdivision)	**74,000**	12,100,000	**–**	–
6 November 2009	6 November 2011 – 5 November 2012	0.42 (0.21 after the shares subdivision)	**–**	–	**23,665,000**	12,100,000
			74,000	12,100,000	**23,665,000**	12,100,000

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

(c) Details of the movement of share options granted during the years ended 31 December 2010 and 2009 to subscribe for the shares in the Company are as follows:

For the year ended 31 December 2010

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

For the year ended 31 December 2009

	Granted during the year and at 31 December 2009
Directors	
– Mr. Wang Yi	4,000,000
– Mr. Hui Hongyan	2,336,000
Employees	17,864,000
	24,200,000
No.of exercisable options at end of reporting period	12,100,000
Weighted average exercise price	HK$0.42

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

(d) Fair value of share options and assumptions

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

	6 November 2009
Fair value of share options and assumptions	HK$0.1345
Inputs into the Black-Scholes Option pricing model:	
Share price at grant date	HK$0.38
Exercise price	HK$0.42
Expected volatility	71.40%
Option life	1.5 to 2.5 years
Risk-free interest rate	0.5%
Expected dividends	–

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

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

28. RETIREMENT BENEFITS SCHEME

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

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

29. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

i) RELATED PARTY TRANSACTIONS INCLUDED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Related party relationship	**Nature of transactions**	**2010** ***HK$'000***	2009 *HK$'000*
Non-controlling interests	Sale of goods	**80,226**	59,098
	Patent expenses	**1,221**	880

ii) RELATED PARTY BALANCE INCLUDED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2010 ***HK$'000***	2009 *HK$'000*
Other borrowings from a director	**1,294**	–

The amount due is unsecured, interest-free and has no fixed repayment term.

30. OPERATING LEASE COMMITMENTS – AS LESSEE

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

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**4,860**	2,092
In the second to fifth year inclusive	**9,945**	–
	14,805	2,092

31. CAPITAL COMMITMENTS

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for		
Purchase of property, plant and equipment	**2,497**	773

32. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

As at 31 December 2010, the directors regard Haijing Holdings Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

a) CREDIT RISK

i) As at 31 December 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

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

The Group's exposure to credit risk of trade and other receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had certain concentration of credit risk as 23.1% (2009: 14.0%) and 50.6% (2009: 40.2%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

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

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

iv) At the end of the reporting period, the Company had a concentration of credit risk of the amounts due from subsidiaries of which 95.3% (2009: 95.5%) was due from a subsidiary.

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

b) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank and other borrowings as a significant source of funding. At 31 December 2010, the Group has HK$82,000,000 available un-utilised banking facilities (2009: Nil).

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

Group

	2010			2009		
	Within 1 year or on demand	**Total contractual undiscounted cash flow**	**Carrying amount**	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)		
Bank and other borrowings	**90,250**	**90,250**	**87,527**	69,474	69,474	67,328
Trade and other payables	**114,855**	**114,855**	**114,855**	110,604	110,604	110,604
	205,105	**205,105**	**202,382**	180,078	180,078	177,932

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

b) LIQUIDITY RISK *(Continued)*

Company

	2010			2009		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)		
Bank borrowings	5,413	5,413	5,167	3,408	3,408	3,267
Other payables	417	417	417	718	718	718
	5,830	5,830	5,584	4,126	4,126	3,985

The amounts repayable under a loan agreement that includes a clause that gives the lender the unconditional right to call the loan at any time are classified under the "on demand" bracket. In this regard, interest-bearing borrowings of HK$5,413,000 (2009: HK$3,408,000) as at the end of the reporting period have been so classified even though the directors do not expect that the lender would exercise its rights to demand repayment and thus these borrowings, which include payment of interest, would be repaid according to the following schedule as set out in the loan agreements:

	Group and Company	
	2010	2009
	HK$'000	*HK$'000*
Interest-bearing borrowings		
Within 1 year	**1,575**	860
1-5 years	**3,838**	2,548
	5,413	3,408

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

c) INTEREST RATE RISK

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. Details of interest rates of the Group's and the Company's bank and other borrowings at the end of the reporting period are set out in note 23. The Group closely monitors interest rate level and outlook as well as potential impact on the Group's result and financial position arising from volatility of interest rates.

The bank and other borrowings of the Group of HK$23,545,000 (2009: HK$29,986,000) which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$624,000 (2009: HK$508,000).

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

d) CURRENCY RISK

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

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

e) FAIR VALUE DISCLOSURES

The following presents the carrying value of financial instruments measured at fair value at 31 December 2010 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Group and Company							
	2010				2009			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets measured at fair value								
Financial assets at fair value through profit or loss	**38**	**–**	**–**	**38**	50	–	–	50

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

34. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

35. EVENTS AFTER THE REPORTING PERIOD

In January 2011, the Group set up a 60%-owned subsidiary, 濟南海景包裝有限公司, by injection of RMB300,000 as its contribution to the total registered capital of RMB500,000. 濟南海景包裝有限公司 is principally engaged in manufacture and sale of packaging material for motor vehicles and related components.

In February 2011, a new revolving loan facility of HK$67,000,000 was granted from a bank. The new loan facility is interest-bearing and secured by the Group's bank deposit of RMB62,000,000 and a property of Mr. Chao and his spouse.

Financial Summary

Year ended 31 December 2010

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Turnover	**514,262**	374,581	313,097	11,452	4,511
Profit (Loss) before tax	**43,484**	21,931	44,106	(8,167)	(9,045)
Income tax (expense) credit	**(10,594)**	(5,955)	(7,781)	60	(181)
Profit (Loss) for the year	**32,890**	15,976	36,325	(8,107)	(9,226)
Attributable to:					
Equity holders of the Company	**30,828**	14,602	34,793	(8,107)	(9,226)
Non-controlling interests	**2,062**	1,374	1,532	–	–
	32,890	15,976	36,325	(8,107)	(9,226)

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**557,885**	424,954	407,430	43,037	16,314
Total liabilities	**(207,231)**	(183,174)	(183,205)	(8,931)	(2,717)
	350,654	241,780	224,225	34,106	13,597
Attributable to:					
Equity holders of the Company	**334,285**	226,287	210,106	34,106	13,597
Non-controlling interests	**16,369**	15,493	14,119	–	–
	350,654	241,780	224,225	34,106	13,597

Major Properties Held by the Group

Year ended 31 December 2010

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