DeTeam Company Limited
弘海有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 65)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2010 was approximately HK$320 million, representing a decrease of approximately 2 per cent. as compared with that of the year ended 31 December 2009.

- The Group recorded a profit attributable to owners of the Company of approximately HK$21 million for the year ended 31 December 2010, compared with the profit attributable to owners of the Company of approximately HK$32 million for the year ended 31 December 2009.

- The Directors recommend the declaration of a final dividend of HK0.6 cent per share for the year ended 31 December 2010 and recommend the issue of bonus shares on the basis of one bonus share for every five existing shares being held.

ANNUAL RESULTS

The board of Directors (the "Board") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Turnover	4	**320,430**	327,259
Cost of sales		**(264,197)**	(251,771)
Gross profit		**56,233**	75,488
Other income	5	**1,507**	1,555
Selling and distribution expenses		**(1,255)**	(2,390)
Administrative expenses		**(37,670)**	(28,457)
Other operating expenses		**(71)**	(293)
Profit from operations		**18,744**	45,903
Finance costs	7	**(4,557)**	(2,524)
Profit before tax		**14,187**	43,379
Income tax credit/(expense)	8	**184**	(11,778)
Profit for the year	9	**14,371**	31,601
Attributable to:			
Owners of the Company		**21,037**	32,170
Non-controlling interests		**(6,666)**	(569)
		14,371	31,601
Earnings per share	11		(Restated)
– Basic		**HK3.45 cents**	HK5.27 cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**14,371**	31,601
Other comprehensive income:		
Exchange differences on translating foreign operations	**23,567**	407
Other comprehensive income for the year, net of tax	**23,567**	407
Total comprehensive income for the year	**37,938**	32,008
Attributable to:		
Owners of the Company	**38,386**	32,405
Non-controlling interests	**(448)**	(397)
	37,938	32,008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	**As at 31 December 2010 *HK$'000***	As at 31 December 2009 *HK$'000* (Restated)	As at 1 January 2009 *HK$'000*
Non-current assets				
Property, plant and equipment		**464,983**	326,527	159,318
Prepaid land lease payments		**2,810**	2,745	2,802
Intangible asset		**91,360**	88,636	76,365
Deferred tax assets		**10,163**	–	–
		569,316	417,908	238,485
Current assets				
Inventories		**60,798**	39,138	42,222
Prepaid land lease payments		**80**	76	76
Trade receivables	12	**82,112**	106,284	82,140
Deposits, prepayments and other receivables		**107,583**	60,866	25,687
Pledged and restricted bank deposits		**43,381**	11,549	4,546
Bank and cash balances		**57,234**	57,855	142,241
		351,188	275,768	296,912
Current liabilities				
Trade payables	13	**3,475**	4,981	13,293
Accrued charges and other payables		**147,720**	73,358	17,537
Advances from a non-controlling shareholder		**37,811**	–	–
Borrowings		**88,262**	52,591	7,947
Current tax liabilities		**2,552**	1,645	5,775
		279,820	132,575	44,552
Net current assets		**71,368**	143,193	252,360
Total assets less current liabilities		**640,684**	561,101	490,845

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000
Non-current liabilities				
Borrowings		**24,036**	–	–
Deferred tax liabilities		**7,520**	5,315	2,863
		31,556	5,315	2,863
NET ASSETS		**609,128**	555,786	487,982
Capital and reserves				
Share capital		**60,991**	50,826	42,355
Other reserves		**320,619**	313,435	321,671
Retained profits		**55,195**	40,358	17,845
Proposed final dividend		**3,659**	9,657	16,095
Equity attributable to owners of the Company		**440,464**	414,276	397,966
Non-controlling interests		**168,664**	141,510	90,016
TOTAL EQUITY		**609,128**	555,786	487,982

Notes:

1. General

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Suite no. 3, 31st floor, Sino Plaza, 255-257 Gloucester Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacturing and sale of plastic woven bags, paper bags and plastic barrels and sale of coal.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 January 2010 and there is no impact in the consolidated amounts reported in the financial statements 2009 and 2010.

2. **Adoption of new and revised Hong Kong Financial Reporting Standards (continued)**

b. **Changes in accounting policies**

In November 2010 the HKICPA issued Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 "Presentation of Financial Statements". It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of adoption of Hong Kong Interpretation 5 on the statement of financial position:

	As at 31 December 2010	As at 31 December 2009	As at 1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Increase /(decrease) in			
Current liabilities			
Bank loan	**3,800**	7,810	–
Non-current liabilities			
Bank loan	**(3,800)**	(7,810)	–

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Basis of preparation

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

4. Turnover

The Group's turnover which represents sales of bags and barrels to customers and sales of coal are as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales of bags and barrels	**249,753**	253,368
Sales of coal	**70,677**	73,891
	320,430	327,259

5. Other income

	2010	2009
	HK$'000	*HK$'000*
Interest income	**593**	1,130
Net gain on disposals of property, plant and equipment	**829**	–
Reversal of impairment on loan receivable from an associate	**–**	422
Sundry income	**85**	3
	1,507	1,555

6. Segment information

The Group has two reportable segments as follows:

Bags	–	Manufacture and sale of plastic woven bags, paper bags and plastic barrels; and
Coal	–	Trading and distribution of coal.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss represents the profit earned by each segment without allocation of corporate income and expense, central administration costs, interest income and finance costs.

There were no intersegment sales during the year (2009: HK$Nil). Segment assets excluded corporate assets and deferred tax assets. Segment liabilities excluded corporate liabilities and deferred tax liabilities.

Information about reportable segment profit or loss, assets and liabilities:

	Bags *HK$'000*	Coal *HK$'000*	Total *HK$'000*
Year ended 31 December 2010			
Revenue from external customers	**249,753**	**70,677**	**320,430**
Segment profit/(loss)	**38,192**	**(11,008)**	**27,184**
Interest revenue	**526**	**60**	**586**
Interest expense	**1,320**	**2,777**	**4,097**
Income tax expense/(credit)	**8,281**	**(8,465)**	**(184)**
Depreciation and amortisation	**7,059**	**16,249**	**23,308**
Net gain on disposals of property, plant and equipment	**–**	**829**	**829**
Capital expenditure	**6,431**	**139,833**	**146,264**
At 31 December 2010			
Segment assets	**301,306**	**641,975**	**943,281**
Segment liabilities	**43,043**	**280,257**	**323,300**

6. **Segment information (continued)**

Information about reportable segment profit or loss, assets and liabilities: (continued)

	Bags *HK$'000*	Coal *HK$'000*	Total *HK$'000*
Year ended 31 December 2009			
Revenue from external customers	253,368	73,891	327,259
Segment profit/(loss)	43,296	(1,287)	42,009
Interest revenue	973	33	1,006
Interest expense	1,119	1,135	2,254
Income tax expense	8,863	2,915	11,778
Depreciation and amortisation	6,582	1,341	7,923
Capital expenditure	3,270	184,282	187,552
At 31 December 2009			
Segment assets	276,900	428,580	705,480
Segment liabilities	70,148	91,564	161,712

6. Segment information (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2010 *HK$'000*	2009 *HK$'000*
Revenue	**320,430**	327,259
Profit or loss		
Total profit or loss of reportable segments	**27,184**	42,009
Interest revenue	**593**	1,130
Interest expense	**(4,557)**	(2,524)
Reversal of impairment on loan receivable from an associate	**–**	422
Unallocated corporate income	**12**	–
Unallocated corporate expenses	**(8,861)**	(9,436)
Consolidated profit for the year	**14,371**	31,601
Assets		
Total assets of reportable segments	**943,281**	705,480
Corporate assets	**7,449**	14,446
Deferred tax assets	**10,163**	–
Elimination of intersegment assets	**(40,389)**	(26,250)
Consolidated total assets	**920,504**	693,676
Liabilities		
Total liabilities of reportable segments	**323,300**	161,712
Corporate liabilities	**24,671**	12,520
Deferred tax liabilities	**7,520**	5,315
Elimination of intersegment liabilities	**(44,115)**	(41,657)
Consolidated total liabilities	**311,376**	137,890

Geographical information:

	Revenue		**Non-current assets**	
	2010 *HK$'000*	2009 *HK$'000*	**2010** *HK$'000*	2009 *HK$'000*
Hong Kong	**–**	–	**29**	49
The People's Republic of China (the "PRC") except Hong Kong	**320,430**	327,259	**559,124**	417,859
Consolidated total	**320,430**	327,259	**559,153**	417,908

6. Segment information (continued)

In presenting the geographical information, revenue is based on the locations of the customers.

The non-current assets information above is based on the location of assets and excludes deferred tax assets.

Revenue from major customers:

	2010	2009
	HK$'000	*HK$'000*
Bags segment		
Customer a	**249,753**	253,368
Coal segment		
Customer a	**50,825**	60,173

7. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**2,860**	1,638
Interest on other loan	**28**	–
Interest on loan from a related company	**201**	–
Interest on loan from a non-controlling shareholder	**727**	–
Bank charges	**741**	886
	4,557	2,524

8. Income tax (credit)/expense

	2010	2009
	HK$'000	*HK$'000*
Current tax – Overseas		
Provision for the year	**7,366**	9,286
Under-provision in prior year	**138**	40
	7,504	9,326
Deferred tax	**(7,688)**	2,452
	(184)	11,778

8. **Income tax (credit)/expense (continued)**

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2010 as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: HK$Nil).

The subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprise (中華人民共和國外商投資企業和外國企業所得稅法) (the "PRC Income Tax Law"). Changchun Yicheng is located in Hexin Town of High-New Development Zone, Changchun (長春市高新技術開發區合心高科技園). Pursuant to a notice issued by Changchun Green District State Tax Bureau (長春綠園國家稅務局), Changchun Yicheng is exempted from enterprise income tax from 1 May 2006 to 31 December 2007, followed by a 50% relief for the next three years (for the years 2008 to 2010). The tax rate applicable to Changchun Yicheng in the PRC, after the 50% relief, is 12.5%.

The subsidiary, Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited (Formerly known as Inner Mongolia Jinyuanli Underground Mining Company Limited), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law. No provision for enterprise income tax has been made as it has no assessable profit for the year.

The subsidiary, Jilin Province De Feng Commodity Economics and Trade Co., Limited operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law.

9. **Profit for the year**

The Group's profit for the year is stated after charging the following:

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration		
Current	**728**	688
Under-provision in prior year	**17**	17
	745	705
Cost of inventories sold	**264,197**	251,771
Amortisation of mining right	**783**	–
Depreciation of property, plant and equipment	**22,484**	7,882
Operating lease rentals in respect of buildings	**841**	838

Cost of inventories sold includes staff costs, amortisation of mining right and depreciation of approximately HK$28,014,000 (2009: HK$12,380,000) which are included in the amounts disclosed separately.

10. Dividend and bonus issue of shares

	2010	2009
	HK$'000	*HK$'000*
Interim dividend of HK0.5 cent (2009: Nil) per share	**2,541**	–
Final dividend proposed of HK0.6 cent (2009: HK1.9 cents) per share	**3,659**	9,657
	6,200	9,657

A final dividend in respect of the year 2010 of HK0.6 cent per share, totalling approximately HK$3,659,000 are proposed by the Board. The dividends are subject to approval by shareholders at the forthcoming annual general meeting ("AGM") and have not been included as liabilities in these consolidated financial statements. The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these consolidated financial statements.

On 25 March 2011, the directors recommended a bonus issue of shares to the owners of the Company on the basis of one bonus share for every five shares of the Company being held. The bonus issue of shares are subject to approval by the shareholders at the forthcoming AGM to be held on Wednesday, 3 August 2011. The bonus shares will rank pari passu in all respect with the ordinary shares of the Company and the Company will not allot any fractions of bonus shares.

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$21,037,000 (2009: HK$32,170,000) and the weighted average number of ordinary shares of 609,914,880 (2009 restated: 609,914,880) in issue during the year.

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share have been retrospectively adjusted to reflect the bonus issue completed on 12 November 2010.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the years ended 31 December 2009 and 2010.

12. Trade receivables

The general credit terms of sales of bags and barrels are 30 days and sales of coal are 60 days.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**56,698**	59,577
91 to 180 days	**1,333**	32,673
181 to 365 days	**24,081**	14,034
	82,112	106,284

13. Trade payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**3,454**	4,636
91 to 180 days	**16**	341
181 to 270 days	**–**	–
271 to 365 days	**–**	–
Over 365 days	**5**	4
	3,475	4,981

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2010, the Group's main businesses were the production and sale of plastic woven bags and the trading of coal in the People's Republic of China (the "PRC"). As the underground mine was still under trial production and the quality of the surface of the coal mine was unsatisfactory that adjustments and testing were required during the trial production, output of the underground coal mine was fluctuated during the year. As a result, the plastic woven bags business still dominated the Group's businesses in 2010.

For the first half year of 2010, as fierce competition was experienced by our customers in Changchun Yicheng, Changchun Yicheng had to accordingly adjust its product mix and to reduce the carrying weight of bags, which resulted in a lower profit. Owing to the significant increase in sales to customers in the second half year, there was overall small decrease in the annual profit. The Company expects that the woven bag business will restore some growth in next year due to the recovery of sales to customers. In addition, the Company will enlarge the scale of barrel trading business to enhance the annual returns to shareholders.

The underground coal mine was under examination and acceptance stage as over 80 separate items passing relevant procedures in overall examination and acceptance. Upon successfully passing the overall examination and acceptance, we can obtain the approval for official production, which is expected to be issued in the first half of 2011. Besides, the output of the underground mine rose to a maximum of 51,000 tons per month from approximately 14,000 tons per month at the beginning of trial production. The Company estimates that the output of coal can reach approximately 100,000 tons per month during the time of formal production.

The principal business of Jilin Province De Feng Commodity Economics and Trade Co., Limited (吉林省德峰物資經貿有限責任公司) ("De Feng") is the sale of coal. As the primary aim of our Company in 2010 was to successfully complete the underground coal mine, all the capital and work forces were placed in it, and hence the business of De Feng this year was underperformed as compared with last year. De Feng will be back to normal business for the year of 2011 since the underground coal mine is approximately completion.

Financial review

Operating loss was incurred by the underground coal mine business, as all the machinery, technicians and staffs were positioned in the underground coal mine which commenced the trial production in May of 2010. However when the excavation work proceeded to the surface of the eighth coal seam of the underground coal mine, hosts of gravels and impurities were found in coal seam, which affected the coal quality to a certain extent and the output of coal was fluctuated during the year. As a result, the Group's profit for the year were undoubtedly affected. For the year ended 31 December 2010, the Group's turnover was approximately HK$320,430,000, representing a decrease of approximately HK$6,829,000 as compared with HK$327,259,000 for last year. The revenue was mainly generated from Changchun Yicheng. Although the Group's turnover for the year ended 31 December 2010 decreased as compared with last year due to fierce competition in the first half year of 2010, profit attributable to shareholders for the year ended 31 December 2010 reduced to approximately HK$21,037,000 as compared to approximately HK32,170,000 in 2009. The result of the Group's coal business for the year ended 31 December 2010 as reflected in the segmental information included pre-operation expenditures and excavation costs for the underground coal mine business of approximately HK$16,540,000 and profit from sale of open-pit coal of approximately HK$5,532,000.

Selling and distribution expenses for 2010 was approximately HK$1,255,000, representing a decrease of 48% as compared with approximately HK$2,390,000 in 2009 due to the customers of open-pit coal had to bear the transportation cost for the year.

Administrative expenses for 2010 was approximately HK$37,670,000 in 2010 (2009: approximately HK$28,457,000) of which the significant increment was caused by the staff cost and general expenses incurred by the underground coal mine since its trial production commenced in May of 2010.

Finance cost for 2010 was approximately HK$4,557,000 representing an increase of 81% as compared with approximately HK$2,524,000 in 2009 because of the increase in borrowings and the advances from a non-controlling shareholder.

A loan agreement dated 14 September 2010 was entered into between Shenzhen Beidachang Trading Co., Ltd. ("Beidachang") as the creditor and Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Ltd. ("Jinyuanli") as the borrower for an unsecured loan of RMB9.93 million repayable at an interest rate of 6% per annum for the use by Jinyuanli for general working purpose. Beidachang is a related party of the Company to the extent that one of the executive directors, Mr. Zhang Chao Liang, owns 20% of the interest in Beidachang.

Defeng was granted a short term bank loan of approximately HK$38,591,000 during the year which were secured by Defeng's trade and other receivables. Defeng applied the loan for the Group's general working purpose.

Changchun Yicheng entered into a short term bank loan agreement of RMB38 million on 1 December 2010 which were secured by the pledge of land and buildings, pledged bank deposits and corporate guarantee issued by the Company. Application for draw down of the bank loan was still in progress as at the year end date. The Group will apply the loan for general working purpose.

The Group expects that the application of official production for underground coal mine will be finished in the first half year of 2011 and the underground coal mine will contribute a substantial amount of operating profit to the Group in 2011. The Group will continue to seek other coal related investment opportunities with the aim to achieve satisfactory return to the shareholders.

Prospects

After a construction period of four years, the underground coal mine is in its final stage. We estimate the underground coal mine will be in official production in the first half of this year. The monthly output will reach 100,000 tons then, and our plan is to enhance the output of the underground coal mine by application to the relevant authority and installation of extra equipment and machines. As a result, the revenue and profit of the underground coal mine will be increased.

Capital structure, liquidity and financial resources

As a result of the bonus issue of Shares on the basis of one bonus share for every five then existing shares in 2010, the Company has a total number of 1,200,000,000 authorised shares and its issued share capital is 609,914,880 shares.

As at 31 December 2010, the Group had cash and cash equivalents amounting to approximately HK$57 million. Additionally, the Group's gearing ratio was 0.25 which was based on the division of total debts by total equity. The Group's liquidity ratio was 1.26.

Charge on Assets

At 31 December 2010, the bank overdrafts of approximately HK$2,866,000 (2009: HK$Nil) is secured by the pledged bank deposit and the corporate guarantee issued by a subsidiary.

At 31 December 2010, a bank loan of approximately HK$38,591,000 (2009: HK$40,909,000) is secured by the trade and other receivables. The bank loans of approximately HK$38,995,000 (2009: HK$Nil) is secured by the pledge of the Group's land and buildings, pledged bank deposits and the corporate guarantees issued by the Company and a subsidiary.

The remaining balance is secured by the guarantees issued by the Company and the Government of Hong Kong Special Administrative Region.

At 31 December 2010, the Group had available HK$69,524,000 (2009: HK$47,909,000) of undrawn borrowing facilities.

Foreign currency risk

The Group's sales and purchase are mainly transacted in Renminbi and the books are recorded in Hong Kong dollar. Since the exchange rate fluctuation between Hong Kong dollar and Renminbi is very small, the foreign exchange risk is very low and no hedging has been made.

Contingent liabilities

As at 31 December 2010, the Group did not have any material contingent liabilities.

Employee information

As at 31 December 2010, the Group employed a total of 842 full-time employees. The Group has entered into employment contracts with all of its employees. The remuneration package for its staff comprises of monthly salary, provident fund contributions, medical claims, training programmes, housing allowance and discretionary options based on their contribution to the Group.

During the year under review, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

Audit Committee

The Company established an audit committee on 16 August 2001, comprising the independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Tsang Wai Sum and Mr. Yu Yang. The written terms of reference of the audit committee comply with the Listing Rules. The primary duties of the audit committee of the Company are to review the Company's annual report and financial statements, half-year report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

The audit committee of the Company held four meetings during the year. The audit committee has reviewed the annual results for the year ended 31 December 2010.

Material acquisitions and significant investment

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2010 and currently it has no plan for material investments or capital assets.

Corporate governance

The Company has complied with the code on Corporate Governance practice (the "Corporate Governance Code") as set out in Appendix 14 to the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2010.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in the Appendix 10 to the Listing Rules as the code of conduct to regulate securities transactions by Directors of the Company. Having made specific enquiries of all Directors, all of them confirmed that they have strictly complied with the Model Code throughout the year ended 31 December 2010.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the year.

Dividends and Bonus Issue of Shares

The Board of Directors recommended a final dividend of HK0.6 cent per share (2009: HK1.9 cents) and the issue of bonus share on the basis of one bonus share for every five existing share being held to the shareholders registered in the Company's Register of Members as at the close of business on Monday, 26 September 2011. The necessary resolutions will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The 2010 Annual General Meeting of the Company will be held on Wednesday, 3 August 2011 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules.

Closing of Register of Members

The Register of Members will be closed from Tuesday, 27 September 2011 to Tuesday, 4 October 2011 (both days inclusive). In order to establish entitlements to the proposed final dividend and bonus issue of the Share, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30pm on Monday, 26 September 2011.

Publication of Final Results on the Websites of the Stock Exchange and the Company

This announcement will be published on the websites of Stock Exchange and the Company. The annual report for the year containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published in the websites of the Stock Exchange and the Company in due course.

By order of the Board
Mak Shiu Chung, Godfrey
Co-Chairman

25 March 2011, Hong Kong

At the date of this announcement, the Board comprises:

Executive Directors
Mr. Mak Shiu Chung, Godfrey
Mr. Xu Bin
Mr. Zhang Chao Liang
Mr. Wang Hon Chen

Independent Non-Executive Directors
Mr. Kwok Chi Shing
Mr. Tsang Wai Sum
Mr. Yu Yang