

2010

SHANGHAI ASIA HOLDINGS LIMITED  
ANNUAL REPORT



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## Corporate Information

### Registered Address in Singapore

8 Cross Street  
#11-00 PWC Building  
Singapore 048424  
T +65 6236 3333  
F +65 6236 4399

### Corporate Head Office in Singapore

47 Scotts Road  
#04-02 Goldbell Towers  
Singapore 228233  
T +65 6238 2187  
F +65 6835 9137

### Registrar and Share Registration Office

Tricor Barbinder Share Registration Services  
8 Cross Street  
#11-00 PWC Building  
Singapore 048424  
T +65 6236 3333  
F +65 6236 4399

### Principal Business Addresses in the PRC

280 Xicheng Road, Jiangyin,  
Jiangsu 214405, the PRC  
T +86 510 8602 5487  
F +86 510 8602 9489

2 Ya Bao Road, Jiangyin,  
Jiangsu 214443, the PRC  
T +86 510 8861 6009  
F +86 510 8861 6005

### Company Secretary

Lee Wei Hsiung (ACIS)

### Principal Bankers

DBS Bank Ltd, Singapore  
Industrial & Commercial Bank of China  
China CITIC Bank  
Bank of Communications, the PRC  
China Merchants Bank

### Independent Auditors

#### – The Company

KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

Partner-in-charge  
Lee Sze Yeng, since 2009

### Independent Auditors

#### – Principal Subsidiaries

KPMG Huazhen  
46th Floor, Zhujiang No. 1 Plaza  
No. 1 Zhujiang Road  
Nanjing 21008, the PRC

Partner-in-charge

Nick Li, since 2009

### Internal Auditors

PricewaterhouseCoopers LLP  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424

### Company Solicitors in Singapore

David Lim & Partners  
50 Raffles Place  
#17-01 Singapore Land Tower  
Singapore 048623

### Company Solicitors in the PRC

Jingtian & Gongcheng  
34/F, Tower 3, China Central Place,  
77 Jianguo Road, Chaoyang District  
Beijing 100025, the PRC

## Chairman's Statement

### 2010 HIGHLIGHTS

In 2010, we were finally able to shake off the impacts of the global economic recession that affected the world economy in 2008 and first half of 2009. The Group was able to sustain the revenue growth that commenced in the second half of 2009.

For the year ended 31 December 2010, the Group's revenue was RMB1.2 billion, a 36% increase over RMB857 million in 2009. Net profit was RMB81.5 million compared to RMB48.3 million the year before, an increase of 69%. However, performance of our three major business segments varies.

The aluminium foil rolling business lifted the performance of the Group, with increased revenue and profit. Revenue was RMB982 million compared to RMB645 million in 2009, an increase of 52%. The full year net profit rose to RMB86.6 million from RMB36.7 million in 2009, an increase of 136%.

The gravure printing business remained challenging. Due to market consolidation and competition, both revenue and profit margin declined. Revenue was RMB165 million compared to RMB191 million in 2009, a decrease of 14%. Net profit dropped to RMB18.8 million from last year's RMB35.6 million, a decline of 47%.

The aluminium foil lamination business remained a small part of the Group's business. Revenue was RMB18 million compared to RMB21 million the year before, a decrease of 13%. This segment incurred a loss of RMB0.6 million in 2010 compared to a profit of RMB0.5 million in 2009.

### DIVESTMENT

On 25 Oct 2010, the Company announced to the Singapore Stock Exchange that it has through its wholly-owned subsidiary, Shanghai Asia Company Pte Ltd, signed conditional sale and purchase agreements to divest all of its equity interests in its Chinese subsidiaries and its Chinese investments, representing substantially all of the assets, liabilities and business of the Group.

The Company is currently preparing a circular to Shareholders setting out information relating to, or in connection with, the divestment, together with the recommendations of the Independent Financial Advisor and the Board of Directors. A notice of the extraordinary meeting will be dispatched to Shareholders shortly.

### DIVIDEND

The Board of Directors has recommended a final tax-exempt cash dividend of 1.00 Singapore cent per ordinary share in respect of the financial year ended 31 December 2010, subject to the approval of shareholders at the forthcoming Annual General Meeting. Upon approval, the dividend will be paid on 31 May 2011.

### CHANGES TO THE BOARD

On behalf of the Board of Directors, I would like to express our sincere appreciation for the dedication and contribution of our former Chairman and Director, Mr John David Cambridge who resigned from the Board on medical grounds.

I would also like to welcome to the Board of Directors, Mr Siow Chee Keong.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would also like to extend our gratitude to all our valuable shareholders, customers, bankers and business associates for their continuous support, as well as to our dedicated employees for their commitment and efforts in meeting the challenges faced during the year.



**Tay Joo Soon**  
Chairman

## Board of Directors



1. **Tay Joo Soon**



2. **Liu Yi Fang**



3. **Liu Jian Zhong**



4. **Tung Kum Hon**



5. **Yen Wen Hwa**



6. **Ronnie Teo Heng Hock**



7. **Siow Chee Keong**



8. **Liu Ying Kang**



9. **Gary Yen**

## Board of Directors

**Tay Joo Soon<sup>1</sup>** is a proprietor of his own firm, Tay Joo Soon & Co., which was founded in 1970. A practicing Certified Public Accountant, he has over 30 years of experience in the fields of accounting, auditing, taxation and company secretarial work in diverse industries such as manufacturing and retailing. He sits on the board of other public listed companies, namely, New Toyo International Holdings Ltd and Tai Sin Electric Limited. He is a Fellow of the Institute of Certified Public Accountants of Singapore, a Fellow of the Institute of Chartered Accountants in Australia, a member of the Malaysian Institute of Certified Public Accountants and a Member of CPA Australia.

**Liu Yi Fang<sup>2</sup>** is one of the founders and major shareholder of the Company. He has over 20 years of experience in the printing and paper packaging industry. Liu Yi Fang is the Chairman and Chief Executive Officer of Jiangyin Liantong Enterprise Co., Ltd as well as serving on the boards of various companies in the PRC. He is a member of the Jiangsu Committee, Chinese People's Political Consultation Conference.

**Liu Jian Zhong<sup>3</sup>** is the Chief Executive Officer of the Company. He has held various positions in his career in the cigarette packaging printing business. He is the younger brother of Liu Yi Fang.

**Tung Kum Hon<sup>4</sup>** is the Chief Financial Officer of the Company. He is a Malaysian Certified Public Accountant and Chartered Accountant. He is a Member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. He has over 20 years experience in public accounting, business advisory and transactions services with PricewaterhouseCoopers, Hong Kong and Malaysia, and KPMG Singapore. He was formerly the Chief Operating Officer of the Bintang Melewar group of companies in Malaysia. He is also a director of Tien Wah Press Holdings Berhad, Malaysia.

**Yen Wen Hwa<sup>5</sup>** is one of the founders and a major shareholder of the Company. He is also the founder and non-executive Chairman of New Toyo International Holdings Ltd. He has over 36 years' experience in the paper conversion and packaging industry in Asia Pacific.

**Ronnie Teo Heng Hock<sup>6</sup>** has more than 20 years in the banking and finance industry before becoming the Managing Partner of Financial Reengineering Pte Ltd, a management consultancy company specializing in investment advisory and project financing services. He was formerly the General Manager of DBS Finance Ltd and the Chief Executive Officer of DBS Asset Management Ltd. He is an independent director of Berger International Ltd, Yeoman 3-Rights Value Asia Fund and Uni-Asia Finance Corporation. He holds a Bachelor of Social Sciences (Hons) degree in Economics from the University of Singapore.

**Siow Chee Keong<sup>7</sup>** was appointed to our Board on 1 February 2011. He has more than 25 years of audit and management experience in operations, business systems, information technology, finance and accounting with commercial and financial organisations in Canada, USA, England and Singapore. He is currently the Managing Director of JF Virtus Pte. Ltd. and offers audit, risk and consultancy services to exchange listed companies. Mr Siow qualified as a Chartered Certified Accountant with the Association of Chartered Certified Accountants in 1981, a Certified Internal Auditor with the Institute of Internal Auditors Inc. in 1985, a Certified General Accountants with the Certified General Accountants of Canada in 1990 and is a member of the Institute of Certified Public Accountants of Singapore. He graduated from the University of Warwick, England, with a Master of Business Administration. Mr Siow is on board of several listed and private companies, and is a member of the Singapore Institute of Directors.

**Liu Ying Kang<sup>8</sup>** is the son of Liu Yi Fang and Special Assistant to the Chairman of Jiangyin Liantong Enterprise Co., Ltd. He holds a Diploma in Business Studies and a Master degree in Business Studies from the Dublin Business School and a Diploma in Management from Suzhou University.

**Gary Yen<sup>9</sup>** is the Executive Director and Chief Executive Officer of New Toyo International Holdings Ltd. He holds a Bachelor of Commerce Degree (Accounting) from University of Flinders, Australia. He is also the non-executive Deputy Chairman of Tien Wah Press Holdings Berhad, Malaysia.

## Corporate Governance

The Company recognises the importance of good governance. This statement outlines the corporate governance practices of the Company in relation to the Code of Corporate Governance (the "Code") set out in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

### PRINCIPLE 1: BOARD PRACTICES

The Board of Directors meets at least four times a year.

Matters for Board approval include major investment proposals or divestments, announcements of financial results, dividend payments, policy or strategic matters affecting our Company, re-organisations and substantial transactions which have a material impact on our Company.

Below is the attendance of the Directors at meetings of the Board and its committees in 2010:

	Board		Audit Committee	Nominating Committee	Remuneration Committee		Working Committee
	Scheduled	Adhoc	Scheduled	Scheduled	Scheduled	Adhoc	Adhoc
No. meetings held	4	14	4	1	1	3	4
<b>Directors</b>							
<b>No. of meetings attended</b>							
John David Cambridge*	4	10	4	1	1	2	na
Liu Yi Fang	4	13	na	na	na	na	4
Liu Jian Zhong	4	14	na	na	na	na	na
Tung Kum Hon	4	13	na	na	na	na	4
Yen Wen Hwa	4	14	na	na	na	na	4
Ronnie Teo Heng Hock	4	14	4	1	1	3	na
Tay Joo Soon	4	14	4	1	1	3	4
Gary Yen	3	12	na	na	na	na	na
Liu Ying Kang	2	9	na	na	na	na	na

\* resigned as Director on 11 November 2010

na – not a member

### PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

There is a strong and independent element on the Board with Independent Directors forming one-third of the Board.

The Board has nine members, of whom six are non-executive (including three Independent Directors) and three, namely, Liu Yi Fang, Liu Jian Zhong and Tung Kum Hon, are Executive Directors.

### PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are separate.

### PRINCIPLE 4: BOARD MEMBERSHIP AND PERFORMANCE

One-third (or the number nearest to one-third) of the Directors are required to retire from office at each Annual General Meeting ("AGM"). Further, all our Directors are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. In addition, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next AGM of our Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. The Company will be holding its seventh AGM on 26 April 2011.

## Corporate Governance

The dates of first appointment and last re-election of our Directors are as follows:

Directors	Date of appointment	Date of last re-election
Tay Joo Soon	26 March 2004	26 April 2010
Liu Yi Fang	26 March 2004	26 April 2010
Liu Jian Zhong	10 February 2004	28 April 2009
Tung Kum Hon	10 February 2004	28 April 2009
Yen Wen Hwa	10 February 2004	28 April 2009
Ronnie Teo Heng Hock	26 March 2004	26 April 2010
Siow Chee Keong	1 February 2011	–
Gary Yen	26 November 2008	28 April 2009
Liu Ying Kang	26 November 2008	28 April 2009

Our Directors do not have fixed terms of office. They are however subject to retirement by rotation in accordance with Articles 91 to 93 of our Articles of Association.

### PRINCIPLE 5: BOARD PERFORMANCE

Our Nominating Committee comprises three Directors, all of whom, including the Chairman, are non-executive and independent. They are Tay Joo Soon as Chairman, Ronnie Teo Heng Hock and Siow Chee Keong. The duties of our Nominating Committee include re-nomination of Directors taking into consideration each Director's contribution and performance as well as determining annually whether a Director is independent.

Our Nominating Committee assesses the effectiveness of the Board and the contribution by each Director annually taking into account the performance criteria outlined in the Code as well as the Directors' ability and character in resolving matters.

Where a Director has multiple board representations, the Nominating Committee will evaluate whether or not the Director is able to carry out and has been adequately carrying out his or her duties as director of the Company. Final approval of a candidate for directorship is determined by the full Board.

Each member of our Nominating Committee shall abstain from voting on any resolution in respect of the assessment of his performance, independence or re-nomination as Director.

Details of the Directors' academic and professional qualifications as well as directorships and other appointments are set out on pages 4 and 5 of this Annual Report. Information regarding the Directors' shareholdings in the Company and related corporations (other than wholly-owned subsidiaries) is set out on pages 12 and 13.

### PRINCIPLE 6: ACCESS TO INFORMATION

All Directors are provided with complete, adequate and timely information prior to meetings and on a regular basis to enable them to fulfil their duties properly. Management is also prepared to provide further information and explanation on materials given to Directors and meet to discuss any issue prior to a Board meeting, if required.

In exercising their duties, the Directors have independent access to senior management and the company secretary. If necessary, the Directors can seek professional advice and services on any areas they deem necessary, at the expense of the Company.

### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Our Remuneration Committee comprises three Directors, all of whom are non-executive and independent. They are Ronnie Teo Heng Hock as Chairman, Tay Joo Soon and Siow Chee Keong. Our Remuneration Committee recommends to our Board of Directors the remuneration framework for our Directors and key executives and determines specific remuneration packages for each Executive Director.

## Corporate Governance

The recommendations of our Remuneration Committee are submitted to our Board of Directors for endorsement. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances and bonuses, options and benefits in kind, are covered by our Remuneration Committee.

Each member of our Remuneration Committee abstains from voting on any resolutions in respect of his remuneration package.

### PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

Non-executive Directors do not have service contracts with the Company and their terms are specified in the Articles of Association of the Company which contain retirement and re-election provisions.

Most non-executive Directors are paid Directors' fees subject to the approval of the Company at AGMs. Executive Directors do not receive Directors' fees.

Our Chief Executive Officer and Chief Financial Officer's remuneration packages include variable bonus tied to the performance of the Group. In addition, the Company has granted share options to our Executive Directors which expired on 30 September 2010.

### PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The remuneration of our Directors for 2010 is as follows:

Remuneration Band	Directors' Fees (%)	Base/Fixed Salary (%)	Variable or performance-related income/bonuses (%)	Benefits in Kind (%)	Share Options (%)
<b>S\$1,250,000 – S\$1,500,000</b>					
<i>Executive Director</i>					
Liu Jian Zhong	Nil	34.8%	65.2%	Nil	Nil*
<b>S\$250,000 – S\$500,000</b>					
<i>Executive Director</i>					
Tung Kum Hon	Nil	78.4%	21.6%	Nil	Nil*
<b>Below S\$250,000</b>					
<i>Executive Director</i>					
Liu Yi Fang	Nil	100%	Nil	Nil	Nil*
<i>Non-executive Directors</i>					
Yen Wen Hwa	100%	Nil	Nil	Nil	Nil
Gary Yen	Nil	Nil	Nil	Nil	Nil
Liu Ying Kang	Nil	Nil	Nil	Nil	Nil
<i>Non-executive and Independent Directors</i>					
Tay Joo Soon	100%	Nil	Nil	Nil	Nil
Ronnie Teo Heng Hock	100%	Nil	Nil	Nil	Nil
Siow Chee Keong	100%	Nil	Nil	Nil	Nil

\* No share options were granted in 2010. Details of share options granted to the Executive Directors are set out on pages 13 and 14 of this Annual Report.

## Corporate Governance

The remuneration of our key executives (who are not Directors) for 2010 is as follows:

Remuneration Band	Base/Fixed Salary (%)	Variable or performance-related income/bonuses (%)	Benefits in Kind (%)
<b>Below S\$250,000</b>			
Liu Ding Zhong	100%	Nil	Nil
Du Jiang	51.0%	49.0%	Nil
Zhu Hong Jun	51.0%	49.0%	Nil
Foo Kok Meng	100%	Nil	Nil

There are no employees who are immediate family members of a Director and whose remuneration exceeded S\$150,000 per annum for the year ended 31 December 2010.

### PRINCIPLE 10: ACCOUNTABILITY

Our Company announces its financial results on a quarterly basis and other information via SGXNET in accordance with the requirements of the SGX-ST.

### PRINCIPLE 11: AUDIT COMMITTEE

Our Audit Committee comprises three Directors, all of whom, including the Chairman, are non-executive and independent. They are Ronnie Teo Heng Hock as Chairman, Tay Joo Soon and Siow Chee Keong.

The Audit Committee meets periodically and performs, inter-alia, the following functions:

- (a) review with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (b) review the quarterly and annual financial statements of our Group before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (c) review the assistance given by our management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);
- (d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (e) review non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;
- (f) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- (g) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- (h) review potential conflicts of interest, if any;
- (i) undertake such other reviews and projects as may be requested by our Board, and will report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (j) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

## Corporate Governance

The Company has put in place a whistle-blowing policy for employees to raise, in confidence, concerns about possible improprieties in financial reporting or other matters and for the independent investigation of such matters and appropriate follow-up actions.

### **PRINCIPLE 12: INTERNAL CONTROLS**

The Board recognises its role in ensuring that management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Company has outsourced its internal audit functions to PricewaterhouseCoopers ("PwC"). PwC has conducted internal audits on the Group's units in 2010 and its recommendations arising from the internal audits are being implemented by the Group.

### **PRINCIPLE 13: INTERNAL AUDIT**

The Company constantly strives to upgrade the internal audit framework of the Group. The internal audit function reports primarily to the Chairman of the Audit Committee.

### **PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS**

Our Company takes a serious view of maintaining full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, press releases, circulars to shareholders and Annual Reports. In addition, our Company has established a website at [www.sah.com.sg](http://www.sah.com.sg) for shareholders and the public to obtain up-to-date information on the Company's activities, announcements and Annual Reports.

### **PRINCIPLE 15: GREATER SHAREHOLDERS' PARTICIPATION**

AGMs of our Company provide a key forum for dialogue and interaction with shareholders. At such meetings, shareholders are given the opportunity to air their views and ask the Directors and management questions regarding the Company and the Group.

Shareholders are allowed to vote at general meetings in person or by proxy and equal effect is given to such votes. Separate resolutions are tabled at general meetings on each distinct issue.

The chairpersons of the audit, nominating and remuneration committees are present and available to address questions at general meetings.

The Company's external auditors are present to assist the Directors in addressing queries by shareholders.

### **DEALINGS IN SECURITIES**

The Company adopts the Best Practices Guide on dealings in securities issued by the SGX-ST.

It advises its officers not to deal in its securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's financial statements for the full financial year, and ending on the date of the announcement of the relevant results.

In addition, the Company reminds its officers to observe the laws on insider dealing at all times, even during the window periods for them to deal in its securities.

### **RISK MANAGEMENT**

Risk is an intrinsic aspect of business and is inseparable from opportunity. Recognizing and managing risk is central to the business to ensure an environment where we can confidently grow shareholder value through developing and protecting our people, our assets, our environment and our reputation.

The Company is committed to identifying, evaluating and dealing with all real and potential risks to the Company at regular intervals for the purpose of protecting the interests of the Company, its shareholders, employees and customers and to ensure that the objectives of the Company can be met, to mitigate risk and to increase the Company's competitive advantage.

The Board is ultimately responsible for ensuring that the Company has an adequate and effective risk management system and that this system is reviewed at regular intervals. The Board receives reports from the Audit Committee on risk management issues.

The Audit Committee, on behalf of the Board, reviews the effectiveness of the Company's risk management assessment. Assurance that risks are being effectively identified, monitored, managed and controlled is reported to the Board.

Statutory Reports  
and  
Financial Statements

## Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2010.

### DIRECTORS

The Directors in office at the date of this report are as follows:

Tay Joo Soon  
Liu Yi Fang  
Liu Jian Zhong  
Tung Kum Hon  
Yen Wen Hwa  
Ronnie Teo Heng Hock  
Liu Ying Kang  
Gary Yen  
Siow Chee Keong (Appointed on 1 February 2011)

### DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of Directors who held office at the end of the year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

Name of Director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
<b>Liu Yi Fang</b>		
Shanghai Asia Holdings Limited		
– ordinary shares		
– deemed interests	285,189,141	285,189,141
– options to subscribe for ordinary shares at S\$0.28 between 1/10/2005 and 30/9/2010 (expiry date)	6,600,000	–
<b>Liu Jian Zhong</b>		
Shanghai Asia Holdings Limited		
– ordinary shares		
– interests held	12,220,000	13,880,447
– options to subscribe for ordinary shares at S\$0.28 between 1/10/2005 and 30/9/2010 (expiry date)	8,800,000	–
<b>Tung Kum Hon</b>		
Shanghai Asia Holdings Limited		
– options to subscribe for ordinary shares at S\$0.28 between 1/10/2005 and 30/9/2010 (expiry date)	2,200,000	–

## Directors' Report

<b>Name of Director and corporation in which interests are held</b>	<b>Holdings at beginning of the year</b>	<b>Holdings at end of the year</b>
<b>Yen Wen Hwa</b> Shanghai Asia Holdings Limited – ordinary shares – deemed interests	299,470,247	299,470,247
<b>Liu Ying Kang</b> Shanghai Asia Holdings Limited – ordinary shares – deemed interests	285,189,141	285,189,141

By virtue of Section 7 of the Act, Liu Yi Fang, Yen Wen Hwa and Liu Ying Kang are deemed to have interests in the shares of the subsidiaries of the Company, at the beginning and at the end of the financial year.

Except as disclosed in this report, no Director who held office at the end of the year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2011.

Except as disclosed under the "Share options" section of this report, neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in the financial statements, since the end of the last financial year, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### SHARE OPTIONS

The Shanghai Asia Holdings Limited Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 29 July 2004. The Scheme is administered by the Company's Remuneration Committee, comprising three Directors, Ronnie Teo Heng Hock (Chairman), Siow Chee Keong and Tay Joo Soon.

Other information regarding the Scheme is set out below:

- The exercise price of the option is S\$0.28, based on the issue price of the Company's shares under the initial public offering.
- The options vest 14 months after the date of grant (the Vesting Period).
- Unless they are cancelled, have lapsed prior to the expiry date or that specified by the Remuneration Committee, the options granted will expire 60 months after the Vesting Period.

## Directors' Report

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

<b>Date of grant of options</b>	<b>Exercise price per share S\$</b>	<b>Options outstanding at 1/1/2010</b>	<b>Options expired at 30/9/2010</b>	<b>Options outstanding at 31/12/2010</b>	<b>Number of option holders at 31/12/2010</b>	<b>Exercise period</b>
29/7/2004	0.28	17,600,000	17,600,000	–	–	1/10/2005 to 30/9/2010

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries at the end of the financial year.

Details of options granted to Directors of the Company under the Scheme are as follows:

<b>Name of Director</b>	<b>Options granted for financial year ended 31/12/2010</b>	<b>Aggregate options granted since commencement of Scheme to 30/09/2010 (expiry date)</b>	<b>Aggregate options exercised since commencement of Scheme to 30/09/2010 (expiry date)</b>	<b>Aggregate options outstanding as at 31/12/2010</b>
Liu Yi Fang	–	6,600,000	–	–
Liu Jian Zhong	–	8,800,000	–	–
Tung Kum Hon	–	2,200,000	–	–
	–	17,600,000	–	–

Except as disclosed above, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme since the commencement of the Scheme to 30/09/2010 (expiry date).

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

### AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this report are:

- Ronnie Teo Heng Hock (Chairman), non-executive and independent Director
- Siow Chee Keong, non-executive and independent Director (appointed on 1 February 2011)
- Tay Joo Soon, non-executive and independent Director
- John David Cambridge, non-executive and independent Director (resigned on 11 November 2010)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

## Directors' Report

The Audit Committee has held four meetings since the last Directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



**Tay Joo Soon**  
Chairman



**Liu Jian Zhong**  
Director

30 March 2011

## Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 18 to 62 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



**Tay Joo Soon**  
Chairman



**Liu Jian Zhong**  
Director

30 March 2011

## Independent Auditors' Report

Members of the Company  
Shanghai Asia Holdings Limited

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Shanghai Asia Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the statement of financial position of the Group and the Company as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 18 to 62.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the 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 of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

#### *Emphasis of Matter*

We draw attention to Notes 15 and 27 to the financial statements which describe the basis for classifying certain assets and liabilities as held for sale and the discontinued operations. Our opinion is not qualified in respect of this matter.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized, handwritten font, followed by 'LLP' in a similar style.

**KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

Singapore  
30 March 2011

## Statement of Financial Position

As at 31 December 2010

	Note	Group		Company	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
<b>Assets</b>					
Property, plant and equipment	4	383	558,663	383	583
Lease prepayments	5	–	25,130	–	–
Intangible asset	6	–	46,245	–	–
Subsidiaries	7	–	–	54,107	54,107
Amount due from a subsidiary	8	–	–	312,992	312,992
Loan to a subsidiary	9	–	–	–	102,390
Other investments	10	–	11,600	–	–
<b>Non-current assets</b>		383	641,638	367,482	470,072
Inventories	11	–	166,267	–	–
Trade and other receivables	12	42,064	319,900	152,897	145,637
Cash and cash equivalents	14	214,478	315,973	5,089	5,883
Assets classified as held for sale	15	1,388,527	–	–	–
<b>Current assets</b>		1,645,069	802,140	157,986	151,520
<b>Total assets</b>		1,645,452	1,443,778	525,468	621,592
<b>Equity</b>					
Share capital	16	440,915	440,915	440,915	440,915
Reserves	16	42,820	36,253	–	–
Retained earnings	16	260,574	207,146	78,190	63,004
<b>Equity attributable to owners of the Company</b>		744,309	684,314	519,105	503,919
<b>Non-controlling interests</b>		922	1,384	–	–
<b>Total equity</b>		745,231	685,698	519,105	503,919
<b>Liabilities</b>					
Loans and borrowings	17	–	57,742	–	57,742
<b>Non-current liability</b>		–	57,742	–	57,742
Loans and borrowings	17	–	172,069	–	25,665
Trade and other payables	20	258,944	523,629	6,363	34,266
Current tax liabilities		–	4,640	–	–
Liabilities classified as held for sale	15	641,277	–	–	–
<b>Current liabilities</b>		900,221	700,338	6,363	59,931
<b>Total liabilities</b>		900,221	758,080	6,363	117,673
<b>Total equity and liabilities</b>		1,645,452	1,443,778	525,468	621,592

The accompanying notes form an integral part of these financial statements.

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 Restated*
<b>Continuing operations</b>			
Revenue	21	-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other (expenses)/income		(3,451)	400
Administrative expenses		(14,881)	(14,374)
<b>Results from operating activities</b>		(18,332)	(13,974)
Finance income		2,727	2,997
Finance costs		(4,104)	(5,683)
<b>Net finance costs</b>	23	(1,377)	(2,686)
<b>Loss before income tax</b>		(19,709)	(16,660)
Income tax expense	24	(3,589)	(5,003)
<b>Loss from continuing operations</b>		(23,298)	(21,663)
<b>Discontinued operations</b>			
Profit from discontinued operations (net of tax)	27	104,835	69,939
Profit for the year	22	81,537	48,276
<b>Profit attributable to:</b>			
Owners of the Company		81,999	48,033
Non-controlling interests		(462)	243
Profit for the year		81,537	48,276
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		81,537	48,276
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		81,999	48,033
Non-controlling interests		(462)	243
<b>Total comprehensive income for the year</b>		81,537	48,276
<b>Earnings per share</b>			
Basic and diluted earnings per share (RMB cents)	25	9.30	5.45
<b>Earnings per share – continuing operations</b>			
Basic and diluted earnings per share (RMB cents)	25	(2.64)	(2.46)

\* Refer to Notes 3.16, 15 and 27.

The accompanying notes form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Note	Attributable to owners of			
		Share capital RMB'000	Statutory reserve RMB'000	Enterprise expansion reserve RMB'000	Merger deficit RMB'000
At 1 January 2009		440,915	34,206	6,486	(4,439)
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	-	-
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners of the Company</b>					
Final dividend paid to shareholders	16	-	-	-	-
Total transactions with owners of the Company		-	-	-	-
At 31 December 2009		440,915	34,206	6,486	(4,439)
At 1 January 2010		440,915	34,206	6,486	(4,439)
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	-	-
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>					
<b>Contributions by and distributions to owners of the Company</b>					
Transfer to statutory reserve		-	6,567	-	-
Final dividend paid to shareholders	16	-	-	-	-
Total transactions with owners of the Company		-	6,567	-	-
At 31 December 2010		440,915	40,773	6,486	(4,439)

The accompanying notes form an integral part of these financial statements.

the Company

Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
200,713	677,881	1,141	679,022
48,033	48,033	243	48,276
–	–	–	–
48,033	48,033	243	48,276
(41,600)	(41,600)	–	(41,600)
(41,600)	(41,600)	–	(41,600)
207,146	684,314	1,384	685,698
207,146	684,314	1,384	685,698
81,999	81,999	(462)	81,537
–	–	–	–
81,999	81,999	(462)	81,537
(6,567)	–	–	–
(22,004)	(22,004)	–	(22,004)
(28,571)	(22,004)	–	(22,004)
260,574	744,309	922	745,231

## Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000 Restated*
<b>Cash flows from operating activities</b>			
Loss for the year from continuing operations		(23,298)	(21,663)
Adjustments for:			
Depreciation and amortisation		239	237
Loss on disposal of property, plant and equipment		7	(1)
Interest income		(2,095)	(2,996)
Interest expense		3,173	2,898
Income tax expense		3,589	5,003
		(18,385)	(16,522)
Change in trade and other receivables		92,042	(1,837)
Change in trade and other payables		(26,733)	28,988
<b>Cash generated from operating activities</b>		46,924	10,629
Income tax paid		(3,589)	(5,003)
<b>Net cash from operating activities</b>		43,335	5,626
<b>Net cash (used in)/from operating activities of discontinued operations</b>	27	(120,980)	201,070
		(77,645)	206,696
<b>Cash flows from investing activities</b>			
Deposit received on disposal group held for sale		251,370	–
Interest received		2,095	2,996
Purchase of property, plant and equipment		(46)	(28)
<b>Net cash from investing activities</b>		253,419	2,968
<b>Net cash used in investing activities of discontinued operations</b>	27	(42,559)	(21,573)
		210,860	(18,605)
<b>Cash flows from financing activities</b>			
Interest paid		(3,173)	(2,898)
Dividends paid		(22,004)	(13,173)
Repayment of borrowings		(83,407)	(12,960)
Release of deposits pledged		4,568	–
<b>Net cash used in financing activities</b>		(104,016)	(29,031)
<b>Net cash from/(used in) financing activities of discontinued operations</b>	27	187,198	(129,220)
		83,182	(158,251)
<b>Net increase in cash and cash equivalents</b>		216,397	29,840
Cash and cash equivalents at 1 January		97,345	67,964
Effect of exchange rate fluctuations on cash held		502	(459)
Cash and cash equivalents classified as part of assets held for sale	15	(99,766)	–
<b>Cash and cash equivalents at 31 December</b>	14	214,478	97,345

\* Refer to Notes 3.16, 15 and 27.

The accompanying notes form an integral part of these financial statements.

## Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2011.

### 1 DOMICILE AND ACTIVITIES

Shanghai Asia Holdings Limited (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 8 Cross Street, #11-00 PWC Building, Singapore 048424 .

The financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described below.

#### (c) Functional and presentation currency

These financial statements are presented in Renminbi (RMB), which is the Company's functional currency. All financial information presented in RMB have been rounded to the nearest thousand, unless otherwise stated.

#### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following Notes:

- Note 15 – classification of non-current assets/liabilities held for sale
- Note 6 – assumptions of recoverable amounts relating to goodwill impairment, vendors' profit guarantee and valuation of amounts due from a subsidiary
- Note 18 – valuation of financial instruments

## Notes to the Financial Statements

### (e) Changes in accounting policies

Accounting for business combinations

From 1 January 2010, the Group has applied FRS 103 Business Combinations (2009) in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date (Note 3.1(i)).

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition was credited to profit or loss in the period of the acquisition. For business acquisitions that were achieved in stages, any existing equity interests in the acquiree were not re-measured to their fair value. Contingent consideration was recognised as an adjustment to the cost of acquisition only when it was probable and can be measured reliably.

The change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

Accounting for acquisitions of non-controlling interests

From 1 January 2010, the Group has applied FRS 27 Consolidated and Separate Financial Statements (2009) in accounting for acquisitions of non-controlling interests. See Note 3.1(iv) for the new accounting policy.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

The change in accounting policy has been applied prospectively and has no impact on earnings per share.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2(e), which addresses changes in accounting policies.

The comparative statement of comprehensive income and statement of cash flows have been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative year (see Notes 3.16, 15 and 27).

### 3.1 Basis of consolidation

#### (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

## Notes to the Financial Statements

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(v) Transactions eliminated on consolidation

Except as disclosed under Note 15, intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(vi) Accounting for subsidiaries by the Company

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### 3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

## Notes to the Financial Statements

### 3.3 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/ other expense in profit or loss.

(ii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Construction-in-progress is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold buildings	20 years
Office fittings and equipment	3 to 5 years
Plant and machinery	5 to 15 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

Depreciation of an asset ceases at the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with FRS105.

## Notes to the Financial Statements

### 3.4 Intangible assets

#### Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

#### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

### 3.5 Financial instruments

#### (i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the cash flow statement, cash and cash equivalents exclude bank deposits held to secure bank facilities.

## Notes to the Financial Statements

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (Note 3.7(i)) and foreign currency differences on available-for-sale debt instruments (Note 3.2), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

### (ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

### (iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## 3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## 3.7 Impairment

### (i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

## Notes to the Financial Statements

### **Loans and receivables**

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### **Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

## Notes to the Financial Statements

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.8 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are generally remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell and depreciation on such assets are to cease. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

### 3.9 Employee benefits

#### ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### ***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### ***Share-based payment transactions***

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## Notes to the Financial Statements

### 3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 3.11 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and the senior executives of the Company are considered as key management personnel of the Company.

### 3.12 Revenue

#### Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

### 3.13 Leases

#### *Lease prepayment*

Leases of land use rights are classified as operating leases. The prepaid lease payments are amortised in profit or loss on a straight-line basis over their lease terms of 50 years.

#### *Lease payment*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### **Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

## Notes to the Financial Statements

### 3.14 Finance income and finance costs

Finance income comprises interest income on funds invested and net foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and net foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.16 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and statement of cash flows are re-presented as if the operation had been discontinued from the start of the comparative year.

## Notes to the Financial Statements

### **3.17 Intra-group financial guarantees**

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

### **3.18 Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. Grants related to assets are deducted against the carrying value of the related assets.

#### ***Jobs Credit Scheme***

Cash grants received from the government in relation to the Jobs Credit Scheme are set off against staff costs upon receipt.

### **3.19 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### **3.20 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess to its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### **3.21 New standards and interpretations not adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

## Notes to the Financial Statements

### 4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings RMB'000	Office fittings and equipment RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Construction -in-progress RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2009	86,835	4,345	513,150	5,363	48,317	658,010
Additions	6,642	283	10,837	79	5,175	23,016
Reclassifications	–	–	51,822	–	(51,822)	–
Disposals	–	(8)	(2,314)	–	(951)	(3,273)
At 31 December 2009	93,477	4,620	573,495	5,442	719	677,753
At 1 January 2010	93,477	4,620	573,495	5,442	719	677,753
Additions	8,000	692	23,541	2,202	10,829	45,264
Reclassifications	–	–	696	–	(696)	–
Disposals	–	(266)	(5,459)	(212)	(252)	(6,189)
Reclassification to assets held for sale (Note 15)	(101,477)	(4,665)	(592,273)	(6,816)	(10,600)	(715,831)
At 31 December 2010	–	381	–	616	–	997
<b>Accumulated depreciation</b>						
At 1 January 2009	4,141	911	70,851	2,970	–	78,873
Depreciation charge for the year	3,180	785	37,857	715	–	42,537
Disposals	–	(6)	(2,314)	–	–	(2,320)
At 31 December 2009	7,321	1,690	106,394	3,685	–	119,090
At 1 January 2010	7,321	1,690	106,394	3,685	–	119,090
Depreciation charge for the year	3,454	590	39,197	771	–	44,012
Disposals	–	(182)	(1,890)	(86)	–	(2,158)
Reclassification to assets held for sale (Note 15)	(10,775)	(1,833)	(143,701)	(4,021)	–	(160,330)
At 31 December 2010	–	265	–	349	–	614
<b>Carrying amounts</b>						
At 1 January 2009	82,694	3,434	442,299	2,393	48,317	579,137
At 31 December 2009	86,156	2,930	467,101	1,757	719	558,663
At 31 December 2010	–	116	–	267	–	383

## Notes to the Financial Statements

<b>Company</b>	<b>Office fittings and equipment RMB'000</b>	<b>Motor vehicles RMB'000</b>	<b>Total RMB'000</b>
<b>Cost</b>			
At 1 January 2009	374	616	990
Additions	28	–	28
Disposals	(6)	–	(6)
At 31 December 2009	396	616	1,012
At 1 January 2010	396	616	1,012
Additions	46	–	46
Disposals	(61)	–	(61)
At 31 December 2010	381	616	997
<b>Accumulated depreciation</b>			
At 1 January 2009	94	103	197
Depreciation charge for the year	115	123	238
Disposals	(6)	–	(6)
At 31 December 2009	203	226	429
At 1 January 2010	203	226	429
Depreciation charge for the year	116	123	239
Disposals	(54)	–	(54)
At 31 December 2010	265	349	614
<b>Carrying amounts</b>			
At 1 January 2009	280	513	793
At 31 December 2009	193	390	583
At 31 December 2010	116	267	383

Included in the carrying amount of property, plant and equipment of the Group and Company at 31 December 2009 are assets with carrying amount of RMB390,000, which are acquired under finance leases.

At 31 December 2009, the Group and Company have pledged property, plant and equipment with a carrying amount of RMB390,000 as security to secure its finance lease liabilities (Note 17).

## Notes to the Financial Statements

### 5 LEASE PREPAYMENTS

	Note	Group RMB'000
<b>Cost</b>		
At 1 January 2009 and 31 December 2009		25,700
At 1 January 2010		25,700
Reclassification to assets held for sale	15	(25,700)
At 31 December 2010		–
<b>Accumulated amortisation</b>		
At 1 January 2009		36
Amortisation		534
At 31 December 2009		570
At 1 January 2010		570
Amortisation		540
Reclassification to assets held for sale	15	(1,110)
At 31 December 2010		–
<b>Carrying amount</b>		
At 1 January 2009		25,664
At 31 December 2009		25,130
At 31 December 2010		–

### 6 INTANGIBLE ASSET

	Note	Goodwill on consolidation RMB'000
<b>Group</b>		
<b>Cost</b>		
At 1 January 2009		82,290
Reduction of consideration – vendors' profit guarantee		(36,045)
At 31 December 2009		46,245
At 1 January 2010		46,245
Revision of consideration – vendors' profit guarantee		1,997
Reclassification to assets held for sale	15	(48,242)
At 31 December 2010		–
<b>Carrying amount</b>		
At 1 January 2009		82,290
At 31 December 2009		46,245
At 31 December 2010		–

## Notes to the Financial Statements

### Vendors' profit guarantee

Pursuant to a share purchase agreement signed by the Group and the Vendors (New Toyo International Holdings Ltd ("NTIH"), Hong Ji International Holdings Limited and Ji Yuan Investment Holdings Ltd) dated 6 November 2007 as approved by the Company's shareholders at an extraordinary general meeting held on 25 February 2008 ("the Acquisition"), the Vendors proportionately guarantee that the net profit after tax of Jiangsu Zhongji Lamination Materials Co., Ltd ("JZLM") will not be less than the aggregate sum of RMB160,000,000 for 2008 and 2009 (both years combined) and RMB80,000,000 for 2010.

In the event that the net profit after tax is not achieved, the purchase price shall be reduced by an amount calculated (the "Reduction Amount") provided that the Reduction Amount (if any) for was 2008 and 2009 (both years combined) shall be determined by the audited accounts of JZLM. The Reduction Amount calculated as at 31 December 2009 in respect of the profit guarantee given for 2009 was RMB36,045,000. The Reduction Amount was recognised as a refundable consideration and a reduction against goodwill.

In June 2010, JZLM received notice of a tax rebate of RMB4,549,104 ("Tax Rebate") from the tax authority in the People's Republic of China ("PRC") for tax paid by JZLM in respect of its profit for the financial year ended 31 December 2009 ("FY2009"). The tax rebate was subsequently received in July 2010.

The directors approved a revision to the Reduction Amount and the Company refunded or credited RMB1,997,058 (the "Refund") in favour of the Vendors. The Refund was recognised as a reduction of the Acquisition's consideration during the year.

### Impairment testing for cash-generating units containing goodwill

Goodwill is primarily allocated to the cash-generating units within the aluminium foil rolling business segment operating largely in China. This business segment represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segment as reported in Note 26.

In 2009, the recoverable amount of this cash-generating unit was based on value-in-use. The calculations used cash flow projections based on financial budgets approved by the Group's management covering a thirteen-year period from 2010 to 2022 for the aluminium foil rolling business segment. The period covered from 2010 to 2022 represents the remaining estimated economic lives of plant and machinery held by the cash-generating unit.

In 2009, value-in-use was determined by discounting the future cash flows generated from the continuing use of the cash-generating units and was based on the following key assumptions:

1. Gross margins of between 12% to 15%, taking into consideration the upward trend of the London Metal Exchange's official price forward curve and the production efficiency put in place by the Group in 2009.
2. Growth rate of sales volume between 0% to 31%, with the higher growth rate in 2010 to 2012 of 5% to 31% as the group has ramped up its production, following the increase in capacity in end 2008. The average growth rate for the period from 2010 to 2022 is 4% per annum. The growth rate does not exceed the average historical growth rate over the long term for the aluminium foil rolling industry.
3. Discount rate of 12% takes into account the relevant market interest, debt to equity structure and inflation rates as well as the business and financial risks relating to aluminium foil rolling business, the prevailing risk free rate, equity risk premium and betas of available listed companies.

Management determined the key assumptions based on past performance and its expectations of market developments, and the specific risks relating to the aluminium foil rolling industry are based on historical data from both external and internal sources.

In 2010, the recoverable amount of the cash generating unit is based on its fair value less costs to sell as the Group signed sale and purchase agreements to dispose of its interest in the cash generating units for a total consideration of approximately RMB1 billion during the year. As the recoverable amount per the sale and purchase agreements exceeds the carrying amount of the cash generating units within the aluminium foil rolling, management believes that there is no impairment loss.

## Notes to the Financial Statements

### 7 SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Equity investments at cost	54,107	54,107

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Ownership interest	
			2010	2009
			%	%
<b>Direct interests</b>				
Shanghai Asia Company Pte. Ltd. (SACPL)	Investment holding	Singapore	100	100
<b>Indirect interests</b>				
Jiangyin New Liantong Printing Co., Ltd (JNLP)	Gravure printing of packaging products	PRC	100	100
Jiangyin New Liantong Packaging and Lamination Materials Co., Ltd (JNLPM)	Manufacturing of packaging and lamination materials	PRC	100	100
Jiangyin Zhongji Aluminium Industries Co., Ltd (JZAI)	Manufacturing of thin gauge aluminium foil	PRC	100	100
Jiangyin Zhongen Lamination Materials Co., Ltd (JLMC)	Manufacturing of polyester laminated foil	PRC	52	52
Jiangsu Zhongji Lamination Materials Co., Ltd (JZLM)	Manufacturing of thin gauge aluminium foil	PRC	100	100

The indirect interests are held by SACPL.

KPMG LLP is the auditor of SACPL. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries (JNLP, JNLPM and JZLM). For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

### 8 AMOUNT DUE FROM A SUBSIDIARY

	Company	
	2010	2009
	RMB'000	RMB'000
Amount due from a subsidiary (non-trade)	312,992	312,992

The amount due from a subsidiary, SACPL, is unsecured. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost.

## Notes to the Financial Statements

### 9 LOAN TO A SUBSIDIARY

During the year, the subsidiary fully repaid the loan owing to the Company. In 2009, the Company extended the loan to the subsidiary with interest at 3% per annum.

### 10 OTHER INVESTMENTS

	Group	
	2010	2009
	RMB'000	RMB'000
Available-for-sale unquoted equity securities, at cost	–	11,600

The available-for-sale unquoted equity securities were carried at cost since the fair value cannot be reliably measured. At 31 December 2010, the securities were reclassified to assets held for sale (Note 15).

The Group's exposure to credit risk related to other investments is disclosed in Note 18.

### 11 INVENTORIES

	Group	
	2010	2009
	RMB'000	RMB'000
Raw materials and consumables	–	89,664
Work-in-progress	–	37,598
Finished goods	–	39,005
	–	166,267

Raw materials and consumables, and changes in finished goods and work-in-progress, recognised as cost of sales, amounted to RMB878,150,000 (2009: RMB607,928,000).

The inventories were reclassified to assets held for sale (Note 15). They comprised raw materials and consumables of RMB93,904,000 (2009: RMB89,664,000), work-in-progress of RMB45,786,000 (2009: RMB37,598,000) and finished goods of RMB37,956,000 (2009: RMB39,005,000).

## Notes to the Financial Statements

### 12 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables		–	165,973	–	–
Bankers acceptance receivable		–	80,154	–	–
Other receivables		13	4,758	13	–
Net receivables		13	250,885	13	–
Refundable consideration					
– vendors' profit guarantee	6	–	36,045	–	–
Deposits		164	305	164	155
Amounts due from related corporations	13	40,023	16,513	150,856	142,003
Loans and receivables		40,200	303,748	151,033	142,158
Prepayments		1,864	16,152	1,864	3,479
		42,064	319,900	152,897	145,637

At 31 December 2010, trade and other receivables of RMB326,452,000 were reclassified to assets held for sale (Note 15).

There is no allowance for doubtful debts arising from the outstanding balances.

The Group and the Company's exposure to credit and currency risk, and impairment losses related to loans and receivables is disclosed in Note 18.

### 13 AMOUNTS DUE FROM RELATED CORPORATIONS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Amounts due from/(to):				
– a subsidiary:				
– dividends receivable	–	–	212,569	180,107
– non-trade	11,644	–	(61,716)	(38,119)
– loan receivable	19,868	–	–	–
– affiliated corporations:				
– vendor's profit guarantee (net)	8,511	16,498	–	–
– non-trade	–	15	3	15
	40,023	16,513	150,856	142,003

At 31 December 2010, loan receivable and non-trade amount due from a subsidiary of RMB31,512,000 (2009: nil) consists of intercompany balances between disposal group held for sale and a subsidiary, SACPL, were not eliminated.

The non-trade amounts due from a subsidiary and affiliated corporations are unsecured, interest-free and are repayable on demand. Affiliated companies are defined as companies, other than subsidiaries and associates, in which certain Directors of the Company have substantial financial interests.

The amount due from/(to) a subsidiary is to be settled net based on agreement between and intention of the Company and the subsidiary.

## Notes to the Financial Statements

### 14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Bank balances	214,478	97,345	–	1,315
Fixed deposits	–	218,628	5,089	4,568
Cash and cash equivalents	214,478	315,973	5,089	5,883
Deposits pledged	–	(218,628)	–	–
Cash and cash equivalents in the statement of cash flows	214,478	97,345		

In 2009, deposits pledged includes deposits of certain subsidiaries pledged as security for trade credit facilities obtained from banks of RMB214,060,000 and the Company had also pledged deposits amounting to RMB4,568,000 as security for a bank loan.

The Group and the Company's exposure to credit, currency and interest rate risks and a sensitivity analysis for the financial assets and liabilities are disclosed in Note 18.

### 15 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 25 October 2010, the Company announced that a subsidiary, SACPL had on 24 October 2010 signed the following conditional sale and purchase agreements with:

- Shantou Wanshun Package Material Co., Ltd. ("SWP") to sell 75% equity interests in JZLM and JZAI respectively for a consideration of RMB750 million; and
- Gemguard Technologies Pte. Ltd. ("GTPL") to sell 25% equity interests in JZLM and JZAI respectively, 100% equity interests in JNLP and JNLPM, 17% in equity interest in Danyang Golden Three Gorges Liantong Printing Co., Ltd., 13 $\frac{1}{3}$ % of equity interest in Beijing Jinhui Printing Co., Ltd and 52% of equity interest in JLMC for a consideration of S\$50 million.

In view of the Group's commitment to a plan to divest substantially all of the assets, liabilities and businesses in China, the assets and liabilities related to the Group's China businesses (the "disposal group") were classified as assets and liabilities held for sale in the statement of financial position as at 31 December 2010. The transaction is expected to be completed by October 2011.

There was no impairment loss arising from the remeasurement of the assets/disposal group at the lower of their carrying amount and fair value less costs to sell.

At 31 December 2010, the disposal group comprised assets of RMB1,389,000,000 less liabilities of RMB641,000,000.

	Note	Group 2010 RMB'000
<b>Assets classified as held for sale</b>		
Property, plant and equipment	4	555,501
Lease prepayments	5	24,590
Intangible asset	6	48,242
Other investments	10	11,600
Inventories	11	177,646
Trade and other receivables		326,452
Cash and cash equivalents		244,496
		1,388,527

## Notes to the Financial Statements

Cash and cash equivalents in the statement of cash flows of RMB99,766,000 excluded deposits of RMB144,730,000 (2009: RMB218,628,000) pledged as security for trade credit and term loan facility obtained from banks.

	<b>Group 2010 RMB'000</b>
<b>Liabilities classified as held for sale</b>	
Trade and other payables	364,393
Loans and borrowings	272,425
Current tax liabilities	4,459
	<b>641,277</b>

At 31 December 2010, trade payables included bankers acceptances secured by corporate guarantees of RMB126,700,000 by a related corporation, Jiangyin Liantong Enterprise Co., Ltd. ("JYLE") (a company controlled by Mr Liu Yi Fang, a director and major shareholder of the Company).

### **Terms and debt repayment schedule**

The terms and conditions of outstanding loans and borrowings of the disposal group held for sale are as follows:

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>2010 Face value RMB'000</b>	<b>2010 Carrying amount RMB'000</b>
Secured bank loans	RMB	4.86 to 5.31%	2011	195,000	195,000
Secured bank loans	US\$	2.58 to 2.6%	2011	56,889	56,889
Secured bank loans	EURO	2.00%	2011	20,536	20,536
<b>Total loans and borrowings</b>				<b>272,425</b>	<b>272,425</b>

The loans and borrowings were secured by legal mortgages over certain of the disposal group's assets of RMB115,000,000 (2009: RMB70,000,000), and corporate guarantees of RMB136,900,000 by JYLE. For the corporate guarantees given by JYLE, the disposal group held for sale had in return provided corporate guarantees of RMB80,000,000 in favour of banks of JYLE and its group companies.

Refer to Note 18 for information on the disposal group's exposure to interest rate, foreign currency and liquidity risk.

Included in trade and other payables and loans and borrowings under liabilities classified as held for sale were intercompany balances between the disposal group held for sale and SACPL which are not eliminated (Note 13).

Refer to Note 27 for the results and cash flows of the discontinued operations of the disposal group held for sale.

## Notes to the Financial Statements

### 16 CAPITAL AND RESERVES

#### Share capital

	Company	
	2010	2009
	No. of shares	No. of shares
	('000)	('000)
<b>Fully paid ordinary shares, with no par value:</b>		
On issue at 1 January and 31 December	881,906	881,906

#### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company, unless voting by show of hands is applied according to the Company's Articles of Association. All shares rank equally with regard to the Company's residual assets. All shares are fully paid, with no par value.

#### Statutory reserve

The subsidiaries incorporated in the PRC are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of the PRC, to the statutory reserve until the reserve balance reaches 50% of registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Statutory reserve can be used to make good previous years' losses, if any, and may be converted to paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

#### Enterprise expansion reserve

Appropriation to the enterprise expansion reserve is made at the discretion of the board of directors of the subsidiaries incorporated in the PRC. The enterprise expansion reserve can be converted to paid-in capital and to acquire property, plant and equipment.

#### Merger deficit

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling-of-interests method of accounting.

#### Dividends

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

	Group and Company	
	2010	2009
	RMB'000	RMB'000
S\$0.005 (2.50 RMB cents) per qualifying ordinary share in respect of prior year (2009: S\$0.01 (4.74 RMB cents))	22,004	41,600

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These dividends have not been provided for.

	Group and Company	
	2010	2009
	RMB'000	RMB'000
S\$0.01 (5.13 RMB cents) per qualifying ordinary share (2009: S\$0.005 (2.43 RMB cents))	45,242	21,430

## Notes to the Financial Statements

### 17 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's and the Company's interest bearing loans and borrowings, which are measured at amortised cost. Refer to Note 18 for more information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk.

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
<b>Non-current liabilities</b>				
Secured bank loans	–	57,594	–	57,594
Finance lease liabilities	–	148	–	148
	–	57,742	–	57,742
<b>Current liabilities</b>				
Secured bank loans	–	172,001	–	25,597
Finance lease liabilities	–	68	–	68
	–	172,069	–	25,665
<b>Total loans and borrowings</b>	–	229,811	–	83,407

#### Terms and debt repayment schedule

Refer to Note 15 for loans and borrowings of the disposal group held for sale.

The Group and Company's terms and conditions of outstanding loans and borrowings for 2009 were as follows:

	Currency	Nominal interest rate	Year of maturity	2009 Face value RMB'000	2009 Carrying amount RMB'000
<b>Group</b>					
Secured bank loans	RMB	4.86 to 5.31%	2010	135,000	135,000
Secured bank loans	US\$	1.33%	2010	11,404	11,404
Secured bank loans	US\$	COF + 2.75% <sup>(1)</sup>	2012	83,191	83,191
Finance lease liabilities	SGD	2.5%	2013	216	216
<b>Total loans and borrowings</b>				229,811	229,811
<b>Company</b>					
Secured bank loans	US\$	COF + 2.75% <sup>(1)</sup>	2012	83,191	83,191
Finance lease liabilities	SGD	2.5%	2013	216	216
<b>Total loans and borrowings</b>				83,407	83,407

<sup>(1)</sup> Cost of Funds (COF) is defined as USD LIBOR rate plus 1% liquidity premium.

## Notes to the Financial Statements

The secured bank loans for 2009 comprised:

(a) Term loans of RMB146,404,000, secured by the following:

- (1) plant and machinery held by a subsidiary with a carrying amount of RMB293,000,000;
- (2) lease prepayments held by a subsidiary with a carrying amount of RMB10,000,000; and
- (3) corporate guarantees given by the Group.

The term loans are repayable within one year.

(b) The Group and the Company had a secured bank loan of RMB83,191,000, secured by the Company's shares in a subsidiary.

During the year, the Company had fully repaid the secured bank loan of RMB83,191,000.

### **Finance lease liabilities**

During the year, the Group and Company had repaid the finance lease liabilities.

Finance lease liabilities for 2009 were as follows:

	<b>Future minimum lease payments 2009 RMB'000</b>	<b>Interest 2009 RMB'000</b>	<b>Principal 2009 RMB'000</b>
<b>Group and Company</b>			
Within one year	77	9	68
Between one and five years	166	18	148
<b>Total</b>	<b>243</b>	<b>27</b>	<b>216</b>

## Notes to the Financial Statements

### 18 FINANCIAL INSTRUMENTS

#### Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposures. The maximum exposure to credit risk at the reporting date was:

	Group Carrying amount		Company Carrying amount	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Other investments	–	11,600	–	–
Loans and receivables:				
– Loan to a subsidiary	–	–	–	102,390
– Trade and other receivables	40,200	303,748	151,033	142,158
Cash and cash equivalents	214,478	315,973	5,089	5,883
	254,678	631,321	156,122	250,431

At 31 December 2010, financial assets classified as held for sale amounted to RMB282,343,000.

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	Group Carrying amount		Company Carrying amount	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
PRC	31,512	248,924	818	776
United States	–	14,265	–	–
Asia Pacific	180	23,447	150,215	243,757
Others	8,508	17,112	–	15
	40,200	303,748	151,033	244,548

At 31 December 2010, loans and receivables classified as held for sale of RMB282,343,000 relate mainly to PRC.

#### Impairment losses

The ageing of loans and receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2010 RMB'000	2010 RMB'000	2009 RMB'000	2009 RMB'000
<b>Group</b>				
Not past due	40,200	–	284,166	–
Past due 0 – 30 days	–	–	5,488	–
Past due 31 – 120 days	–	–	14,094	–
	40,200	–	303,748	–
<b>Company</b>				
Not past due	151,033	–	244,548	–

## Notes to the Financial Statements

At 31 December 2010, loans and receivables classified as held for sale of RMB282,343,000 is mainly not past due.

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of loans and receivables. These receivables are mainly arising from customers that have a good record with the Group or not past due.

Concentration of credit risk relating to loans and receivables (including those classified as assets held for sale) which accounted for 12% (2009: 11%) of the Group's total loans and receivables was due mainly to the specialised nature of the gravure printing business which the Group transacts with its major customers and an affiliated corporation.

### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount RMB'000	Contractual cash flows RMB'000	Within 1 year RMB'000	Within 1 to 5 years RMB'000
<b>Group</b>				
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	258,944	258,944	258,944	–
<b>2009</b>				
<b>Non-derivative financial liabilities</b>				
RMB secured bank loans	135,000	136,603	136,603	–
US\$ secured bank loans	94,595	97,882	38,991	58,891
Finance lease liabilities	216	243	77	166
Trade and other payables	523,629	523,629	523,629	–
	753,440	758,357	699,300	59,057
<b>Company</b>				
<b>2010</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	6,363	6,363	6,363	–
<b>2009</b>				
<b>Non-derivative financial liabilities</b>				
US\$ secured bank loans	83,191	86,467	27,576	58,891
Finance lease liabilities	216	243	77	166
Trade and other payables	34,266	34,266	34,266	–
	117,673	120,976	61,919	59,057

Loans and borrowings and trade and other payables relating to the disposal group held for sale are to be settled within a year.

## Notes to the Financial Statements

### Currency risk

The Group's and the Company's exposures to foreign currency risk are as follows:

	31 December 2010		31 December 2009	
	Singapore Dollar RMB'000	US Dollar RMB'000	Singapore Dollar RMB'000	US Dollar RMB'000
<b>Group</b>				
Trade and other receivables	1,770	24,230	3,189	55,843
Cash and cash equivalents	211,043	3,408	11,369	14,847
Loans and borrowings	–	–	(216)	(83,191)
Trade and other payables	(254,624)	–	(31,306)	–
	(41,811)	27,638	(16,964)	(12,501)
<b>Company</b>				
Loan to a subsidiary	–	–	–	102,390
Trade and other receivables	151,806	274	(60,444)	25,971
Cash and cash equivalents	5,058	3	644	5,209
Loans and borrowings	–	–	(216)	(83,191)
Trade and other payables	(2,043)	–	(31,266)	–
	154,821	277	(91,282)	50,379
			<b>Euro RMB'000</b>	<b>US Dollar RMB'000</b>
<b>Disposal of group held for sale</b>				
<b>2010</b>				
Trade and other receivables			1,126	74,594
Cash and cash equivalents			–	29,533
Loans and borrowings			(20,536)	(56,889)
Trade and other payables			(150)	(9,814)
			(19,560)	37,424

### Sensitivity analysis

A strengthening of Renminbi, as indicated below, against the following currencies at 31 December would have increased (decreased) profit or loss (before any tax effects) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2009.

## Notes to the Financial Statements

	<b>Group Profit or loss RMB'000</b>	<b>Company Profit or loss RMB'000</b>
<b>31 December 2010</b>		
Singapore Dollar (5% strengthening)	2,091	(7,741)
US Dollar (5% strengthening)	(1,382)	(14)
<b>31 December 2009</b>		
Singapore Dollar (5% strengthening)	848	4,564
US Dollar (5% strengthening)	625	(2,519)

	<b>Profit or loss RMB'000</b>
<b>Disposal of group held for sale</b>	
<b>31 December 2010</b>	
Euro (5% strengthening)	976
US Dollar (5% strengthening)	(1,871)

A weakening of Renminbi against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	<b>Group Carrying amount</b>		<b>Company Carrying amount</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Fixed rate instruments</b>				
Financial assets	19,868	-	-	-
<b>Variable rate instruments</b>				
Financial assets	-	218,628	-	106,958
Financial liabilities	-	(229,595)	-	(83,191)
	19,868	(10,967)	-	23,767

	<b>Carrying amount 2010 RMB'000</b>
<b>Disposal of group held for sale</b>	
<b>Variable rate instruments</b>	
Financial assets	144,730
Financial liabilities	(272,425)
	(127,695)

## Notes to the Financial Statements

### Cash flow sensitivity analysis

A change of 1% in interest rate at the reporting date would increase (decrease) profit or loss (before any tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	31 December 2010		31 December 2009	
	1% increase RMB'000	1% decrease RMB'000	1% increase RMB'000	1% decrease RMB'000
<b>Group</b>				
Profit or loss	-	-	(322)	322
<b>Company</b>				
Profit or loss	-	-	349	(349)
<b>Disposal of group held for sale</b>				
Profit or loss	(1,218)	1,218	-	-

### **Fair values**

#### Fair values versus carrying amounts

The carrying amounts of the Group and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at the reporting date except for other investments in equity securities. It is not practicable to calculate the fair value of such securities because of the lack of quoted prices and the inability to estimate the fair value reliably.

#### **Determination of fair values**

##### *Investment in equity securities*

The equity securities do not have a quoted market price in an active market. The fair value of the unquoted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for the investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. These securities are stated at cost less any impairment losses.

##### *Loan to a subsidiary and loans and borrowings*

The carrying amounts of loan to a subsidiary and loans and borrowings where interest rates reprice within twelve months are assumed to approximate their fair values because of the short period to repricing.

##### *Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year or with short period to repricing (including loans and receivables, cash and cash equivalents, trade and other payables and loans and borrowings) are assumed to approximate their fair values. All other financial assets and liabilities are discounted to determine their fair values.

## Notes to the Financial Statements

### 19 EMPLOYEE SHARE OPTIONS

The Shanghai Asia Holdings Limited Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting on 29 July 2004. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Ronnie Teo Heng Hock (Chairman), Siow Chee Keong and Tay Joo Soon.

Information regarding the Scheme are as follows:

- The exercise price of the option is S\$0.28, based on the issue price of the Company's shares under the initial public offering.
- The options vest 14 months after the date of grant (the Vesting Period).
- Unless they are cancelled, have lapsed prior to the expiry date or that specified by the Remuneration Committee, the options granted will expire 60 months after the Vesting Period.

At the end of the financial year, details of the options granted pursuant to the service agreements on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share S\$	Options outstanding at 1/1/2010	Options expired	Options outstanding at 31/12/2010	Number of option holders at 31/12/2010	Exercise period
29/7/2004	0.28	17,600,000	17,600,000	–	–	1/10/2005 to 30/9/2010

### 20 TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade payables and accrued operating expenses	6,973	51,335	6,363	5,840
Other payables	251,971	19,391	–	–
Bankers acceptance (secured)	–	362,430	–	–
Discounted bankers acceptance	–	60,000	–	–
Amounts due to affiliated corporations:				
– trade	–	2,018	–	–
– non-trade	–	28,455	–	28,426
	258,944	523,629	6,363	34,266

At 31 December 2010, trade and other payables of RMB364,393,000 was reclassified to liabilities held for sale (Note 15).

The Group and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 18.

The non-trade amounts due to affiliated corporations as at 31 December 2009 relate mainly to dividends payable of RMB28,426,000 and were unsecured and interest-free. The bankers acceptance in 2009 were secured by deposits pledged by certain subsidiaries (see Note 14).

Included in other payables is a refundable deposit of S\$49.0 million (RMB251.3 million) received by a subsidiary, SACPL pursuant to the signed conditional sale and purchase agreements to divest all its equity interests in JNLP, JNLPM, JZAI, JLMC, JZLM and its other investments (Note 15).

## Notes to the Financial Statements

### 21 REVENUE

	Continuing operations		Discontinued operations (Note 27)		Group	
	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sale of printed cigarette packaging	–	–	164,556	191,148	164,556	191,148
Sale of aluminium foil products	–	–	981,510	644,602	981,510	644,602
Sale of aluminium foil laminated materials	–	–	18,442	21,236	18,442	21,236
	–	–	1,164,508	856,986	1,164,508	856,986

### 22 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group	
	2010	2009
	RMB'000	RMB'000
Dividend income from available-for-sale unquoted equity securities	–	400
Loss on disposal of property, plant and equipment	1,098	952
Operating lease expense	671	591
Non-audit fees paid to:		
– auditors of the Company	29	67
Staff costs included in:		
– costs of sales	20,977	16,181
– administrative expenses	16,335	12,222
Contributions to defined contribution plans, included in staff costs	5,619	4,915
Jobs credit grant, included in staff costs	(7)	(35)

### 23 FINANCE INCOME AND FINANCE COSTS

	Discontinued operations		Continuing operations	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recognised in profit or loss</b>				
Interest income on bank deposits	3,036	1,356	15	40
Interest income from a subsidiary	–	–	2,080	2,957
Foreign exchange gain	–	4	632	–
Finance income	3,036	1,360	2,727	2,997
Interest expense:				
– paid/payable to banks	(11,113)	(11,894)	(3,173)	(2,898)
– finance lease liabilities	–	–	–	(9)
Foreign exchange loss	(432)	(213)	–	(905)
Bank charges	(2,769)	(1,356)	(931)	(1,871)
Finance expense	(14,314)	(13,463)	(4,104)	(5,683)
Net finance costs recognised in profit or loss	(11,278)	(12,103)	(1,377)	(2,686)

The above finance income and finance expense are in respect of assets (liabilities) not at fair value through profit or loss.

## Notes to the Financial Statements

### 24 INCOME TAX EXPENSE

	Note	Group	
		2010 RMB'000	2009 RMB'000
<b>Current tax expenses</b>			
Current year		–	7
Underprovision in prior year		(2)	–
Withholding tax		3,591	4,996
Income tax expense from continuing operations		3,589	5,003
Income tax expense from discontinued operations	27	12,815	12,665
		16,404	17,668
<b>Reconciliation of effective tax rate</b>			
Profit for the year		81,537	48,276
Total income tax expense		16,404	17,668
Profit excluding income tax		97,941	65,944
Income tax using applicable PRC tax rate at 25%		24,485	16,486
Non-deductible expenses		5,861	4,520
Tax exempt income		(1,960)	(146)
Effect of tax concessions		(12,591)	(9,703)
Effect of tax rates in foreign jurisdictions		1,576	1,510
Withholding tax		3,591	4,996
Tax incentives		(4,556)	–
Others		(2)	5
		16,404	17,668

JZLM was granted a tax concession by the tax authority of the PRC whereby they were exempted from PRC income tax for two consecutive years from the first year they record assessable profits on a cumulative basis, with a 50% reduction in tax liability in the following three years. JZLM recorded its first year of assessable profit in 2007 and enjoyed a 50% reduction in tax liability in 2009 and 2010.

## Notes to the Financial Statements

### 25 EARNINGS PER SHARE

#### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2010 was calculated as follows:

#### Profit/(loss) attributable to ordinary shareholders

	Continuing operations		Group	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Profit/(loss) attributable to ordinary shareholders	(23,298)	(21,663)	81,999	48,033

#### Number of ordinary shares

	Company	
	2010 '000	2009 '000
Issued ordinary shares at 1 January	881,906	881,906
Number of ordinary shares at 31 December	881,906	881,906

In 2009, the options disclosed in Note 19 were not included in the calculation of diluted earnings per share because they were anti-dilutive. The options expired during the year.

Refer to Note 27 for earnings per share of discontinued operations.

### 26 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. These reportable segments form the disposal group held for sale and have been represented as discontinued operations of the Group (Notes 15 and 27).

The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

For each of the strategic business units, the CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Gravure printing	: Gravure printing of packaging products as well as manufacturing of packaging and lamination materials
Aluminium foil rolling	: Manufacturing of thin gauge aluminium foil
Aluminium foil lamination	: Manufacturing of polyester laminated foil

## Notes to the Financial Statements

	Discontinued operations			Total Operations RMB'000
	Gravure printing RMB'000	Aluminium foil rolling RMB'000	Aluminium foil lamination RMB'000	
<b>2010</b>				
<b>Revenue</b>				
– PRC	164,556	421,760	22,732	609,048
– United States	–	156,176	–	156,176
– Asia Pacific	–	285,165	–	285,165
– Others	–	121,204	–	121,204
	164,556	984,305	22,732	1,171,593
Inter-segment revenue	–	(2,795)	(4,290)	(7,085)
External revenue from discontinued operations (Note 27)	164,556	981,510	18,442	1,164,508
<b>Profit or loss</b>				
Reportable segment profit before income tax from discontinued operations (Note 27)	26,102	92,168	(620)	117,650
Unallocated amounts				
– Other corporate expenses from continuing operations				(19,709)
Consolidated profit before income tax				97,941
<b>Assets</b>				
Reportable segment assets	182,281	1,141,503	4,901	1,328,685
Goodwill				48,242
Other investments				11,600
Assets held for sale (Note 15)	182,281	1,141,503	4,901	1,388,527
Unallocated amounts				
– Other corporate assets of continuing operations			256,925	
Consolidated total assets				1,645,452
<b>Liabilities</b>				
Reportable segment liabilities	(21,362)	(619,734)	(181)	(641,277)
Liabilities held for sale (Note 15)	(21,362)	(619,734)	(181)	(641,277)
Unallocated amounts				
– Other corporate liabilities of continuing operations				(258,944)
Consolidated total liabilities				(900,221)
<b>Interest revenue</b>				
Reportable segment totals from discontinued operations	952	2,078	6	3,036
Unallocated amounts				
– Other corporate interest revenue from continuing operations				2,095
Consolidated totals				5,131
<b>Interest expense</b>				
Reportable segment totals from discontinued operations	(113)	(11,000)	–	(11,113)
Unallocated amounts				
– Other corporate interest expenses from continuing operations				(3,173)
Consolidated totals				(14,286)

## Notes to the Financial Statements

	Discontinued operations			Total Operations RMB'000
	Gravure printing RMB'000	Aluminium foil rolling RMB'000	Aluminium foil lamination RMB'000	
<b>2010</b>				
<b>Depreciation and amortisation</b>				
Reportable segment totals from discontinued operations	(8,523)	(35,641)	(149)	(44,313)
Unallocated amounts				
– Other corporate expenses from continuing operations				(239)
Consolidated totals				(44,552)
<b>Capital expenditure</b>				
Reportable segment totals from discontinued operations	433	44,735	49	45,217
Unallocated amounts				
– Other corporate expenditure from continuing operations				46
Consolidated totals				45,263
<b>2009</b>				
<b>Revenue</b>				
– PRC	191,148	314,480	21,236	526,864
– United States	–	94,686	–	94,686
– Asia Pacific	–	148,517	–	148,517
– Others	–	90,306	–	90,306
	191,148	647,989	21,236	860,373
Inter-segment revenue	–	(3,387)	–	(3,387)
External revenue from discontinued operations (Note 27)	191,148	644,602	21,236	856,986
<b>Profit or loss</b>				
Reportable segment profit before income tax from discontinued operations (Note 27)	43,759	38,338	507	82,604
Unallocated amounts				
– Other corporate expenses from continuing operations				(16,660)
Consolidated profit before income tax				65,944
<b>Assets</b>				
Reportable segment assets	259,466	1,050,908	15,749	1,326,123
Goodwill	–	46,245	–	46,245
	259,466	1,097,153	15,749	1,372,368
Unallocated amounts				
– Other corporate assets				71,410
Consolidated total assets				1,443,778
<b>Liabilities</b>				
Reportable segment liabilities	(113,082)	(520,168)	(7,116)	(640,366)
Unallocated amounts				
– Other corporate liabilities				(117,714)
Consolidated total liabilities				(758,080)

## Notes to the Financial Statements

	Discontinued operations			Total Operations RMB'000
	Gravure printing RMB'000	Aluminium foil rolling RMB'000	Aluminium foil lamination RMB'000	
<b>2009</b>				
<b>Interest revenue</b>				
Reportable segment totals from discontinued operations	1,215	133	8	1,356
Unallocated amounts				
– Other corporate interest revenue from continuing operations				2,997
Consolidated totals				4,353
<b>Interest expense</b>				
Reportable segment totals from discontinued operations	(302)	(11,592)	–	(11,894)
Unallocated amounts				
– Other corporate interest expenses from continuing operations				(2,898)
Consolidated totals				(14,792)
<b>Depreciation and amortisation</b>				
Reportable segment totals from discontinued operations	(5,549)	(37,103)	(182)	(42,834)
Unallocated amounts				
– Other corporate expenses from continuing operations				(237)
Consolidated totals				(43,071)
<b>Capital expenditure</b>				
Reportable segment totals from discontinued operations	3,623	19,233	131	22,987
Unallocated amounts				
– Other corporate expenditure from continuing operations				29
Consolidated totals				23,016

## Notes to the Financial Statements

### 27 DISCONTINUED OPERATIONS

Following SACPL's signing of conditional sale and purchase agreements and the Company's announcement on 25 October 2010 to divest substantially all of the assets, liabilities and businesses in the PRC, the comparative income statement has been re-presented to show the discontinued operations separately from continuing operations.

	Note	Group	
		2010 RMB'000	2009 RMB'000
<b>Results of discontinued operations</b>			
Revenue	21	1,164,508	856,986
Cost of sales		(995,814)	(729,385)
Other expenses		(24,551)	(15,758)
Administrative expenses		(15,215)	(17,136)
Net finance costs	23	(11,278)	(12,103)
<b>Results from operating activities</b>		117,650	82,604
Income tax	24	(12,815)	(12,665)
<b>Profit from discontinued operations (net of tax)</b>		104,835	69,939
<hr/>			
		Group	
		2010 RMB'000	2009 RMB'000
<hr/>			
Basic earnings per share (RMB cents) of discontinued operations		11.94	7.90

Of the profit the year from discontinued operations of RMB104,835,000 (2009: RMB69,939,000), an amount of RMB105,297,000 (2009: RMB69,696,000) is attributable to the owners of the Company.

	Group	
	2010 RMB'000	2009 RMB'000
<b>Cash flows from discontinued operations</b>		
Net cash (used in)/from operating activities	(120,980)	201,070
Net cash used in investing activities	(42,559)	(21,573)
Net cash from/(used in) financing activities	187,198	(129,220)
Net cash flows for the year	23,659	50,277

## Notes to the Financial Statements

### 28 FINANCIAL RISK MANAGEMENT

#### **Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Credit quality of customers is assessed after taking into account their financial position and past experience with customers.

The Group reviews, and if required, establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Group's exposure to concentration of credit risk is included in Note 18.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows through the management of working capital.

## Notes to the Financial Statements

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Interest rate risk*

The Group's exposure to changes in interest rates is included in Note 18.

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

#### *Currency risk*

The Group's exposure to foreign currency risk is included in Note 18.

There is no formal hedging policy with respect to foreign exchange exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the Group defines as profit for the year divided by total shareholders' equity excluding minority interest. The Board also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on equity of between 10% and 15%; in 2010, the return on equity was 11.0% (2009: 7.1%).

The Group's gearing of total borrowings to shareholders' equity, excluding minority interests, at the end of the reporting period was as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
<b>Total borrowings</b>		
Continuing operations	–	229,811
Discontinued operations	272,425	–
	<u>272,425</u>	<u>229,811</u>
	Group	
	2010	2009
	RMB'000	RMB'000
Shareholder's' equity	744,309	684,314
Total borrowings to shareholders' equity ratio at 31 December	36.6%	33.6%

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## Notes to the Financial Statements

On 25 October 2010, the Company announced that the Group's assets will comprise substantially of cash after the completion of the conditional sale and purchase agreements to divest substantially all of the assets, liabilities and businesses in the PRC (Note 27) ("the Transaction"). The Company intends to distribute up to 50% of the net proceeds of the Transaction, with the distribution to be by way of dividend, capital reduction or such other manner as the Board shall conclude at a later stage; and in respect of the remaining 50% (or more) of the net proceeds of the Transaction, the Company will assess and explore various investment options to seek viable business opportunities in other areas of business.

### 29 CAPITAL COMMITMENTS

At 31 December 2010, the Group has the following commitments:

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted but not provided for:		
<u>Continuing operations</u>		
- Purchase of plant and machinery	-	6,350
- Purchase of motor vehicles	-	840
	-	7,190
<u>Discontinued operations</u>		
- Purchase of plant and machinery	156,359	-
- Construction of building	51,582	-
	207,941	7,190

On 29 July 2010, the Company announced an investment by its wholly-owned subsidiary (JZLM in the disposal group held for sale), in a new thin gauge aluminium foil production facility (the "New Facility"). The investment would involve the purchase of various requisite machineries, equipment and other ancillary facilities and the construction of a new factory for the New Facility.

The New Facility will be constructed over a two-year period and will be located next to the existing production facility of JZLM in Jiangyin, China. In connection with the investment, the Company has approved a capital expenditure of up to RMB300 million (the "New Capital Expenditure").

The Group expects the New Capital Expenditure to be incurred over a four-year period from 2010 to 2013.

### 30 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Continuing operations</u>				
Within one year	649	615	649	615
Between one and five years	-	615	-	615
	649	1,230	649	1,230

The leases relate to office rental and are generally for a period of three years with an option to renew.

## Notes to the Financial Statements

### 31 CONTINGENT LIABILITY

As at 31 December 2010, the Group through JZLM (part of disposal group held for sale) has issued corporate guarantees for banking facilities of an affiliated corporation amounting to RMB80,000,000 (2009: RMB50,000,000).

### 32 RELATED PARTY TRANSACTION

In addition to disclosure elsewhere in the financial statements, there were the following significant related party transactions.

#### *Key management personnel compensation*

	Group	
	2010	2009
	RMB'000	RMB'000
<u>Continuing operations</u>		
Directors' fees of the Company	1,427	1,142
Remuneration of the Directors of the Company:		
– Short-term employee benefits	9,271	5,145
– Post employment benefits	29	35
<u>Discontinued operations</u>		
Senior management personnel of the Group:		
– Short-term employee benefits	2,567	2,482
	13,294	8,804

Certain directors also participated in the Company's Share Option Scheme. No share options were granted to the directors of the Company and the share options have expired during the year (Note 19).

#### *Other related parties transactions*

	Group	
	2010	2009
	RMB'000	RMB'000
<u>Discontinued operations</u>		
Related corporations		
Jiangyin Liantong Enterprise Co., Ltd ("JYLE") and its group companies		
– Sales of finished goods	60,419	61,748
– Provision of outside processing services	3,390	4,797
– Purchase of raw materials	29,513	28,945
– Sales of raw materials	–	27
NTIH and its group companies		
– Sales of finished goods	43,223	41,079
– Purchase of printed machinery	–	3,148

As at 31 December 2010, the Group through JZLM (part of disposal group held for sale) has issued corporate guarantees for banking facilities of JYLE amounting to RMB80,000,000 (2009: RMB50,000,000) (Note 31).

## Supplementary Information

(SGX-ST Listing Manual disclosure requirements)

### 1 DIRECTORS' REMUNERATION

Company's Directors receiving remuneration from the Group:

	Number of Directors	
	2010	2009
<b>Remuneration of:</b>		
S\$1,250,000 – S\$1,500,000	1	–
S\$500,000 – S\$750,000	–	1
S\$250,000 – S\$500,000	1	1
Below S\$250,000	5	5
	7	7

### 2 GROUP PROPERTIES

Description of properties held by the disposal group classified as held for sale are as follows:

Location	Description	Tenure
No. 280 Xicheng Road Jiangyin, Jiangsu 214405 People's Republic of China	Single-storey factory with annexed office block used by subsidiaries for their operations	50-year lease from 29 April 2003
No. 2 Yabao Avenue Jiangyin, Jiangsu 214443 People's Republic of China	Factory with annexed office block used by subsidiaries for their operations	50-year lease from 13 June 2005
No. 2 Yabao Avenue Jiangyin, Jiangsu 214443 People's Republic of China	Warehouse with annexed staff hostel used by subsidiaries for their operations	50-year lease from 16 June 2006

### 3 INTERESTED PERSON TRANSACTIONS

The aggregate value of transactions entered into by the Group with interested persons and their affiliates, as defined in the SGX Listing Manual, are as follows:

Interested person	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual RMB'000	Aggregate value of all other transactions RMB'000
<u>Discontinued operations</u>		
Related corporations		
Jiangyin Liantong Enterprise Co., Ltd ("JYLE") and its group companies		
– Sales of finished goods	60,419	–
– Provision of outside processing services	3,390	–
– Purchase of raw materials	29,513	–
New Toyo International Holdings Ltd and its group companies		
– Sales of finished goods	43,223	–

At 31 December 2010, the Group through JZLM (part of disposal group) has issued corporate guarantees for banking facilities of JYLE amounting to RMB80,000,000 (2009: RMB50,000,000) (Note 31).

### 4 MATERIAL CONTRACTS

Except as disclosed in Note 32 to the financial statements, there are no other material contracts entered into between the Company and its subsidiaries during the year involving the interest of the Chief Executive Officer, any Director or controlling shareholder of the Company.

The supplementary information above does not form part of the financial statements.

## Statistics of Shareholdings

As at 18 March 2011

Class of share : ordinary share

Voting rights : 1 vote per ordinary share

### DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2011

Size Of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	4	0.43	2,162	–
1,000 - 10,000	426	46.10	2,130,013	0.24
10,001 - 1,000,000	475	51.41	48,729,375	5.53
1,000,001 and above	19	2.06	831,044,539	94.23
<b>Total</b>	<b>924</b>	<b>100.00</b>	<b>881,906,089</b>	<b>100.00</b>

As at 18 March 2011, approximately 19.6% of the shareholding is held by the public and thus Rule 723 of the SGX-ST Listing Manual is complied with.

### TWENTY-ONE LARGEST SHAREHOLDERS AS AT 18 MARCH 2011

Shareholder's Name	No. of Shares	%
1 Hong Ji International Holdings Limited	285,189,141	32.34
2 New Toyo Ventures Pte Ltd	221,118,436	25.07
3 United Overseas Bank Nominees Pte Ltd	79,554,186	9.02
4 Ji Yuan Investment Holdings Ltd	61,618,651	6.99
5 Bao Qin International Holdings Limited	48,936,303	5.55
6 China Dragon Investment Group Limited	37,267,000	4.23
7 Citibank Nominees Singapore Pte Ltd	21,717,000	2.46
8 HSBC (Singapore) Nominees Pte Ltd	21,087,000	2.39
9 Liu Jian Zhong	13,880,447	1.57
10 Yao Hongyuan	8,440,000	0.96
11 Chia Kee Koon	8,224,000	0.93
12 DB Nominees (Singapore) Pte Ltd	5,283,000	0.60
13 UOB Kay Hian Pte Ltd	4,899,000	0.56
14 Phillip Securities Pte Ltd	4,626,375	0.52
15 Chiang Kok Meng	2,400,000	0.27
16 OCBC Securities Private Ltd	2,158,000	0.24
17 Chin Meng Kay	1,770,000	0.20
18 DBS Nominees Pte Ltd	1,526,000	0.17
19 Yuen Chee Khuen	1,350,000	0.15
20 Chua Soh Har	1,000,000	0.11
21 Singapore Reinsurance Corporation Ltd – SIF General	1,000,000	0.11
<b>Total</b>	<b>833,044,539</b>	<b>94.44</b>

## Statistics of Shareholdings

### SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2011

(as shown in the Register of Substantial Shareholders)

Name	Direct Interest	Deemed Interest
New Toyo Ventures Pte Ltd <sup>(1)</sup>	299,470,247	–
Hong Ji International Holdings Limited <sup>(2)</sup>	285,189,141	–
Ji Yuan Investment Holdings Ltd <sup>(3)</sup>	61,618,651	–
Bao Qin International Holdings Limited <sup>(4)</sup>	48,936,303	–
New Toyo International Holdings Ltd	–	299,470,247 <sup>(a)</sup>
Yen Wen Hwa	–	299,470,247 <sup>(a)</sup>
Liu Yi Fang	–	285,189,141 <sup>(b)</sup>
Zhou Hui Ling	–	285,189,141 <sup>(b)</sup>
Liu Ying Kang	–	285,189,141 <sup>(b)</sup>

#### Note:

- (1) Inclusive of 78,351,811 shares which are held through United Overseas Bank Nominees Pte Ltd. New Toyo Ventures Pte Ltd is a wholly-owned subsidiary of New Toyo International Holdings Ltd in which Yen Wen Hwa has a shareholding interest, direct and deemed, of approximately 51.86%.
  - (2) Hong Ji International Holdings Limited (“Hong Ji”) is a company incorporated under the laws of British Virgin Islands (“BVI”). Liu Ying Kang holds 75% of the issued shares in the share capital and voting rights of Hong Ji. Liu Ying Kang holds the 75% interest in the issued share capital of Hong Ji on trust for Liu Yi Fang, his father. Zhou Hui Ling is the registered holder and beneficial owner of 25% interest in the issued share capital of Hong Ji and is the wife of Liu Yi Fang.
  - (3) Ji Yuan Investment Holdings Limited (“Ji Yuan”) is a company incorporated under the laws of BVI. Ho Fu Chuan is the beneficial owner of 100% interest in the issued share capital and voting rights of Ji Yuan. Ho Fu Chuan is not related to the Directors and substantial shareholders of the Company.
  - (4) Bao Qin International Holdings Ltd (“Bao Qin”) is a company incorporated under the laws of BVI. Chen Jia Ming is the beneficial owner of 80% interest in the issued share capital and voting rights of Bao Qin. The Group’s executive officer, Shao He Hua is the beneficial owner of the remaining 20% interest in the issued share capital of, and voting rights in Bao Qin. Neither Chen Jia Ming nor Shao He Hua is related to the Directors and substantial shareholders of the Company.
- (a) Deemed to be interested in all the shares held by New Toyo Ventures Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50
- (b) Deemed to be interested in all the shares held by Hong Ji by virtue of Section 7 of the Companies Act, Cap. 50

## Notice of 7<sup>th</sup> Annual General Meeting

### SHANGHAI ASIA HOLDINGS LIMITED

Registration No.: 200309262D  
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the 7<sup>th</sup> Annual General Meeting of the Company will be held at Sheraton Towers Singapore, 39 Scotts Road, Level 2, Topaz & Opal Rooms, Singapore 228230 on 26 April 2011 at 10.00 a.m. to transact the following business:

#### AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2010 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To declare a final tax exempt (1-tier) dividend of 1.00 Singapore cents per ordinary share for the year ended 31 December 2010. **(Resolution 2)**
3. To approve the additional Directors' fees of S\$170,000 for the year ended 31 December 2010.  
*(See Explanatory Note 1)* **(Resolution 3)**
4. To re-elect Mr Yen Wen Hwa who is retiring in accordance with Article 91(b) of the Company's Articles of Association. **(Resolution 4)**
5. To re-elect Mr Liu Jian Zhong who is retiring in accordance with Article 91(b) of the Company's Articles of Association. **(Resolution 5)**
6. To re-elect Mr Siow Chee Keong who is retiring in accordance with Article 97 of the Company's Articles of Association. **(Resolution 6)**  
  
Mr Siow Chee Keong shall, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committees and shall be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
7. To note the retirement of Mr Tung Kum Hon who is retiring in accordance with Article 91(b) of the Company's Articles of Association and will not be seeking re-election.
8. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

#### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

9. **Authority to issue shares and convertible securities** **(Resolution 8)**  
  
"That:  
  
(a) pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the SGX-ST, approval be and is hereby given to the Directors of the Company to:  
  
(i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

## Notice of 7<sup>th</sup> Annual General Meeting

- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of the Company’s total number of issued shares excluding treasury shares, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of the Company’s total number of issued shares excluding treasury shares, and for the purpose of this Resolution, the total number of issued shares excluding treasury shares is based on the Company’s total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
  - (a) new shares arising upon the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that the Ordinary Resolution is passed; and
  - (b) any subsequent bonus issue, consolidation or subdivision of shares; and
- (ii) such authority shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

*(See Explanatory Note 2)*

### 10. **Renewal of Shareholders’ Mandate for Interested Person Transactions**

**(Resolution 9)**

“That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“Chapter 9”) of the SGX-ST, for the Company, its subsidiaries and associated companies (if any), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions described in the Appendix, with any person who falls within the classes of Interested Persons as described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for Interested Person Transactions as set out in the Appendix (the “Shareholders’ Mandate”);
- (b) the Shareholders’ Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier;
- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and

## Notice of 7<sup>th</sup> Annual General Meeting

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."

*(See Explanatory Note 3)*

11. To transact any other business which may be properly transacted at an Annual General Meeting.

### **NOTICE OF BOOKS CLOSURE**

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 19 May 2011 for the purpose of determining Members' entitlements to the final dividend to be proposed at the 7<sup>th</sup> Annual General Meeting of the Company to be held on 26 April 2011.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5.00 p.m. on 18 May 2011 by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 8 Cross Street, #11-00 PWC Building, Singapore 048424 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares in the Company as at 5.00 p.m. on 18 May 2011 will be entitled to such proposed dividend.

The proposed final dividend, if approved at the 7<sup>th</sup> Annual General Meeting, will be paid on 31 May 2011.

By Order of the Board

Lee Wei Hsiung  
Company Secretary  
11 April 2011

### **Notes:**

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
2. A proxy need not be a Member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not later than 48 hours before the time appointed for the Meeting.

## Notice of 7<sup>th</sup> Annual General Meeting

### **Explanatory Notes:**

1. Ordinary Resolution 3 is to approve the payment of additional Directors' fees of S\$170,000 to the Non-Executive and Independent Directors (including Mr John David Cambridge who resigned on 11 November 2010) in recognition of their extra effort and time spent (including attendance at additional Board and other meetings held in 2010) in respect of the proposed sale of substantially all of the assets, liabilities and businesses of the Company.

The proposed fee is subject to shareholders' approval at the 7<sup>th</sup> Annual General Meeting of the Company to be held on 26 April 2011.

2. Ordinary Resolution 8, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company provided that the aggregate number of shares and convertible securities to be issued does not exceed 50% of the Company's total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the Company's total number of issued shares excluding treasury shares for such purposes as they consider would be in the interests of the Company. The total number of issued shares excluding treasury shares is based on the Company's total number of issued shares excluding treasury shares at the time this resolution is passed after adjusting for new shares arising from the conversion of convertible securities on issue at the time the resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
3. Ordinary Resolution 9 relates to the renewal of a mandate given by Shareholders on 26 April 2010 allowing the Company, its subsidiaries and associated companies (if any) or any of them to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for details.

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**SHANGHAI ASIA HOLDINGS LIMITED**

Registration No.: 200309262D

(Incorporated in the Republic of Singapore)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**Proxy Form**

\*I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a \*member/members of SHANGHAI ASIA HOLDINGS LIMITED ("the Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
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and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
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as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Sheraton Towers Singapore, 39 Scotts Road, Level 2, Topaz & Opal Rooms, Singapore 228230 on 26 April 2011 at 10.00 a.m. and at any adjournment thereof.

\*I/we direct \*my/our \*proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion.

No.	Resolution	For	Against
1	To receive and adopt the Audited Financial Statements and Reports for the year ended 31 December 2010.		
2	To approve a final dividend of 1.00 Singapore cents per share for the year ended 31 December 2010.		
3	To approve the additional Directors' fees of S\$170,000 for the year ended 31 December 2010.		
4	To re-elect Mr Yen Wen Hwa who is retiring pursuant to Article 91(b) of the Company's Articles of Association.		
5	To re-elect Mr Liu Jian Zhong who is retiring pursuant to Article 91(b) of the Company's Articles of Association.		
6	To re-elect Mr Siow Chee Keong who is retiring pursuant to Article 97 of the Company's Articles of Association.		
7	To re-appoint KPMG LLP as auditors and authorise the Directors to fix their remuneration.		
8	To authorise Directors to issue shares and convertible securities.		
9	To approve the renewal of Shareholders' Mandate for Interested Person Transactions.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

**Total number of Shares held**\_\_\_\_\_  
Signature(s) of Member(s) / Common Seal

\*Delete accordingly



**IMPORTANT: PLEASE READ NOTES BELOW**

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 8 Cross Street, #11-00 PWC Building, Singapore 048424 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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Affix  
Postage  
Stamp

**The Company Secretary**  
**SHANGHAI ASIA HOLDINGS LIMITED**  
8 Cross Street  
#11-00 PWC Building  
Singapore 048424

*Fold this flap here to seal*

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SHANGHAI ASIA HOLDINGS LIMITED  
[WWW.SAH.COM.SG](http://WWW.SAH.COM.SG)