



**NIAGA**  
FINANCE CO. LTD.

**利安達**  
財務有限公司  
SINCE 1982

# ANNUAL REPORT 2010



**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2010

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*(EXPRESSED IN HONG KONG DOLLARS)*



## REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2010.

### **Principal activities**

The principal activities of the Niaga Finance Company Limited (the “Company”) are trade financing, commercial advances, and personal loans.

### **Results and appropriations**

The results of the Company for the year ended 31 December 2010 are set out in the statement of comprehensive income on page 5.

The directors have declared interim dividends of HK\$0.065 per ordinary share, totalling HK\$6,500,000 which were paid on 30 December 2010.

### **Reserves**

Movements in reserves of the Company during the year are set out in note 19 to the financial statements.

### **Property, plant and equipment**

Details of the movements in property, plant and equipment of the Company are set out in note 14 to the financial statements.

### **Share capital**

Details of the movements in share capital and share premium of the Company are set out in note 18 and note 19 to the financial statements.

### **Directors**

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

Lie Chau Pin, Paul  
Jety Teh  
Tjandra Mindharta Gozali  
Pek Teng Beng

At every Annual General Meeting, all the Directors shall retire from office and shall be eligible for re-election.



## REPORT OF THE DIRECTORS (CONTINUED)

### **Directors' interests in contracts**

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

At no time during the year was the Company or any of its holding company a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

### **Management contracts**

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

### **Auditors**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Lie Chau Pin, Paul**

Director

Hong Kong, 5 August 2011



## INDEPENDENT AUDITOR'S REPORT

### **TO THE SHAREHOLDERS OF NIAGA FINANCE COMPANY LIMITED**

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Niaga Finance Company Limited (the "Company") set out on pages 5 to 35, which comprise the balance sheet as at 31 December 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors' responsibility for the financial statements**

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

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 judgment, 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 the directors, 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.



## INDEPENDENT AUDITOR'S REPORT

### **TO THE SHAREHOLDERS OF NIAGA FINANCE COMPANY LIMITED (CONTINUED)**

(incorporated in Hong Kong with limited liability)

#### **Opinion**

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

#### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 5 August 2011



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 HK\$	2009 HK\$
Interest income	5	<b>22,574,181</b>	30,755,520
Interest expense		<b>(229,199)</b>	(782,609)
Net interest income		<b>22,344,982</b>	29,972,911
Commission income	5	<b>3,944,084</b>	2,181,831
Other operating income	6	<b>3,835,721</b>	7,555,581
Operating income		<b>30,124,787</b>	39,710,323
Operating expenses	7	<b>(12,837,657)</b>	(16,497,215)
Operating profit before impairment losses		<b>17,287,130</b>	23,213,108
Net charge of impairment allowance	13	<b>(7,826,772)</b>	(8,866,956)
Profit before taxation		<b>9,460,358</b>	14,346,152
Taxation	8	<b>(1,564,167)</b>	(2,411,596)
Profit for the year		<b>7,896,191</b>	11,934,556
Other comprehensive income		-	-
Total comprehensive income for the year		<b>7,896,191</b>	11,934,556
Dividends			
Interim dividend paid	11	<b>6,500,000</b>	11,480,000



**BALANCE SHEET**  
AS AT 31 DECEMBER 2010

	Note	2010 HK\$	2009 HK\$
<b>ASSETS</b>			
Cash and bank balances			
- unpledged		<b>22,961,710</b>	52,352,147
- pledged	10	<b>9,476,212</b>	9,438,388
Trade bills		-	2,692,591
Amounts due from a holding company	12	-	1,526,258
Amounts due from a related company	16	<b>22,852,828</b>	3,835,899
Loans and advances	13	<b>92,149,152</b>	72,116,818
Other prepayments and receivables		<b>2,374,417</b>	2,538,308
Tax Recoverable		<b>662,868</b>	-
Property, plant and equipment	14	<b>4,385,263</b>	5,063,864
Total assets		<b>154,862,450</b>	149,564,273
<b>LIABILITIES</b>			
Loans from banks and financial institutions	15	<b>7,627,399</b>	17,544,014
Amounts due to the holding company	12	<b>20,882,629</b>	-
Amounts due to related companies	16	<b>700,219</b>	4,760,216
Amounts due to directors	17	<b>2,524,413</b>	2,576,340
Tax payable		-	1,500,404
Deferred tax liabilities	20	<b>101,669</b>	-
Other accruals and payables	17	<b>19,157,648</b>	20,711,017
Total liabilities		<b>50,993,977</b>	47,091,991
<b>CAPITAL AND RESOURCES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>			
Share capital	18	<b>100,000,000</b>	100,000,000
Reserves	19	<b>3,868,473</b>	2,472,282
Total equity		<b>103,868,473</b>	102,472,282
Total equity and liabilities		<b>154,862,450</b>	149,564,273

**LIE CHAU PIN, PAUL**

Director

**JETY TEH**

Director

*The notes on pages 9 to 39 are an integral part of these financial statements.*



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital HK\$	Share premium HK\$	Retained earnings HK\$	Total Equity HK\$
At 1 January 2009	100,000,000	1,785,000	232,726	102,017,726
Profit for the year	-	-	11,934,556	11,934,556
2009 interim dividend	-	-	(11,480,000)	(11,480,000)
At 31 December 2009	100,000,000	1,785,000	687,282	102,472,282
At 1 January 2010	100,000,000	1,785,000	687,282	102,472,282
Profit for the year	-	-	7,896,191	7,896,191
2010 interim dividend	-	-	(6,500,000)	(6,500,000)
At 31 December 2010	100,000,000	1,785,000	2,083,473	103,868,473



**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 HK\$	2009 HK\$
Net cash inflow generated from operations	21(a)	<b>(19,155,503)</b>	37,730,463
Hong Kong profits tax paid		<b>(3,625,770)</b>	(673,029)
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(22,781,273)</b>	37,057,434
<b>Investing activities</b>			
Purchase of property, plant and equipment		<b>(109,464)</b>	(2,161,316)
Proceed from disposal of property, plant and equipment		<b>300</b>	10,400
<b>Net cash outflow from investing activities</b>		<b>(109,164)</b>	(2,150,916)
<b>Financing activities</b>			
Dividends paid		<b>(6,500,000)</b>	(11,480,000)
<b>Net cash outflow from financing activities</b>		<b>(6,500,000)</b>	(11,480,000)
(Decrease) / Increase in cash and cash equivalents		<b>(29,390,437)</b>	23,426,518
Cash and cash equivalents at 1 January		<b>52,352,147</b>	28,925,629
Cash and cash equivalents at 31 December	21(b)	<b>22,961,710</b>	52,352,147

The notes on pages 9 to 39 are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Niaga Finance Company Limited (the “Company”) is principally engaged in trade financing, commercial advances and personal loans.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 5th Floor, Pico Tower, 66 Gloucester Road, Wanchai, Hong Kong.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs” is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention .

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies

#### (a) Standards, amendments and interpretations effective on or after 1 January 2010

Standard / Interpretation	Content	Applicable for financial years beginning on/after	Relevant to the Company
HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009	No
HKAS 1	Presentation of Financial Statements	1 January 2010	No
HKFRS 3	Business Combinations	1 July 2009	No
HKAS 39	Financial Instruments: Recognition and Measurements - Eligible Hedged Items	1 July 2009	No
HK (IFRIC) - Int 17	Distribution of Non-Cash Assets to Owners	1 July 2009	No
HK (IFRIC) - Int 18	Transfers of Assets from Customers	1 July 2009	No
HKAS 17	Leases	1 January 2010	No
HK (IFRIC) 9	Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement	1 July 2009	No
HK (IFRIC) 16	Hedges of a net investment in a foreign operation	1 January 2010	No



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

(a) Standards, amendments and interpretations effective on or after 1 January 2010 (Continued)

<b>Standard / Interpretation</b>	<b>Content</b>	<b>Applicable for financial years beginning on/after</b>	<b>Relevant to the Company</b>
HKAS 36	Impairment of assets	1 January 2010	No
HKAS 38	Intangibles Assets	1 January 2010	No
HKFRS 1	First-time Adoption of HKFRS	1 July 2009	No
HKFRS 2	Group cash-settled share-based payment transactions	1 January 2010	No
HKFRS 3	Business Combinations	1 July 2009	No
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2010	No

## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

(b) Standards and Interpretations issued but not yet effective

The following Standards and Interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods:

Standard / Interpretation	Content	Applicable for financial years beginning on/after	Relevant to the Company
HKAS 32	Classification of rights issues	1 February 2010	No
HK (IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010	No
HKAS 24 (revised)	Related party disclosures	1 January 2011	Yes
HK (IFRIC) - Int 14	Prepayments of a minimum funding requirement	1 January 2011	No
HKFRS 9	Financial Instruments: Classification and Measurement	1 January 2013	Yes

The Company is considering the implications of the standards, the impact on the Company and the timing of its adoption.

Early adoption of standards

The Company did not early-adopt new or amended standards in 2010

#### 2.2 Revenue recognition

Interest income is recognised in the income statement by using the effective interest method.

Commission income is generally recognised on an accrual basis when the service has been provided.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.3 Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including placement with banks, trade bills and loans and advances to customers. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method less allowances for impairment losses.

#### 2.4 Financial liabilities

All financial liabilities are classified at inception and recognised initially at fair value net of transaction costs incurred.

#### 2.5 Impairment of financial assets

The Company assesses as of each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets may be impaired includes observable data that comes to the attention of the Company about the following probable loss events:

- (i) significant financial difficulty of the obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, no further impairment will be made.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective assessment of impairment, financial assets that are not individually significant are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the statement of comprehensive income.

If, in a subsequent period, the amount of allowance for impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's financial position), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.6 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.7 Foreign currency translation

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

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

#### 2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.8 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line method to allocate their costs to their residual values over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvements	15%
Furniture and equipment	15 - 20%
Motor vehicles	33 $\frac{1}{3}$ %
Property	2.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

#### 2.9 Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

The Company offers a mandatory provident fund scheme, the assets of which are generally held in separate trustee. The pension plan is funded by payments from employees and by the Company.

The Company's contributions to the mandatory provident funds scheme are expensed as occurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

#### 2.10 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.11 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

#### 2.12 Trade related contingencies

Trade-related contingencies are contingent liabilities arising from trade related obligations. They include letters of credit issued, acceptances on trade bills, shipping guarantees issued and any other trade related obligations.

#### 2.13 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Hong Kong where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

#### 2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise bank deposits with original maturity of three months or less.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.15 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly and indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or entities.

#### 2.16 Share capital

Ordinary shares are classified as equity.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

### 3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Credit risk

Credit risk is the risk that the counterparty will cause a financial loss for the Company by failing to discharge an obligation. The Company will suffer financial loss when a customer continuously defaults payment or is unable to repay the outstanding loan principal and associated fees and interest. The Company has established collection and loan departments to manage its exposure to credit risk. Collection department takes responsibility to monitor loan drawer credit quality and to conduct debt collection task to minimise bad debts and maximise recovery from debts. Loan department takes responsibility to assess the credit quality of the applicants based on applicants' financial position, past experience and other factors, and to assign credit limit to loan drawers according to internal ratings in accordance with limits set by the management. Under intact credit policy and credit and risk control, the departments report the newly acquired loan portfolios and quality, debts in doubtful situation and recent debts collection status to the management regularly.

The maximum exposure to credit risk before collateral held or other credit enhancements for the financial assets items in the balance sheet are equal to the carrying amounts recorded in the balance sheet as at 31 December 2010 and 31 December 2009.



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.1 Loans and advances

	2010 HK\$	2009 HK\$
Neither past due nor impaired	36,158,161	52,632,938
Past due but not impaired	48,015,988	12,438,785
Impaired	9,627,708	9,047,731
<b>Gross</b>	<b>93,801,857</b>	74,119,454
less: allowance for impairment	(1,652,705)	(2,002,636)
<b>Net</b>	<b>92,149,152</b>	72,116,818

The total impairment provision for loans and advances is HK\$1,652,705 (2009: HK\$2,002,636) represents the individual assessment and collective assessment provision. Further information of the impairment allowance is provided in note 13.

##### (a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal model adopted by the Company.

	2010 HK\$	2009 HK\$
<b>Grades:</b>	<b>36,158,161</b>	52,632,938
Delinquent 0 day (Pass)		



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.1 Loans and advances (Continued)

###### (b) Loans and advances past due but not impaired

Gross amount of loans and advances by class to customers that were past due but not impaired were as follows. No individually assessed impairment allowance has been made in respect of such loans and advances.

	2010 HK\$	2009 HK\$
<b>Grades:</b>		
Delinquent 1- 31 days	46,906,478	11,386,424
Delinquent 32-89 days	301,695	729,028
Delinquent more than 90 days	807,815	323,333
<b>Total</b>	<b>48,015,988</b>	<b>12,438,785</b>
Fair value of collaterals in respect of such advances	25,755,492	4,400,000

###### (c) Individually impaired loans and advances

There is no individually impaired loans and advances as at 31 December 2010 and 2009.

##### 3.1.2 Concentration of risks of financial assets with credit risk exposure

For both years 2010 and 2009, nearly all risks of financial assets with credit risk exposure were concentrated in Hong Kong.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.2 Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates and foreign exchange rates.

##### 3.2.1 Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities.

At 31 December 2010 and 2009, the majority of the Company's loans and advances is priced at fixed interest rates. The Company's exposure to interest rate risk is limited to the interest income earned on its cash and cash equivalents and interest expense paid on its loans from banks and financial institutions which are relatively immaterial in the context of the operation. Therefore, no interest rate sensitivity analysis is disclosed for this area.

##### 3.2.2 Foreign exchange risk

The table below summarizes the exposures of the Company to foreign currency exchange rate risk as at 31 December 2010. Included in the tables are the Company's assets and liabilities at carrying amounts in Hong Kong dollar equivalent, categorized by the original currency.

As at 31 December 2010	USD HK\$	SGD HK\$	RPH HK\$	PHP HK\$	Others HK\$	Total HK\$'000
<b>Assets</b>						
Cash and Bank	16,570,523	2,330,375	1,218,822	247,952	230,294	20,597,966
Amounts due from related companies	1,970,466	1,500,435	-	-	-	3,470,901
Loans and advances	32,686,449	-	-	-	-	32,686,449
<b>Total financial assets</b>	<b>51,227,438</b>	<b>3,830,810</b>	<b>1,218,822</b>	<b>247,952</b>	<b>230,294</b>	<b>56,755,316</b>
<b>Liabilities</b>						
Amounts due to holding company	19,124,761	-	-	(1,830,373)	-	17,294,388
Amounts due to related companies	224,623	-	175,517	-	-	400,140
Other payables and accrued expenses	6,000,049	17,698	180,510	-	-	6,198,257
<b>Total financial liabilities</b>	<b>25,349,433</b>	<b>17,698</b>	<b>356,027</b>	<b>(1,830,373)</b>	<b>-</b>	<b>23,892,785</b>
<b>Net on-balance sheet financial position</b>	<b>25,878,005</b>	<b>3,813,112</b>	<b>862,795</b>	<b>2,078,325</b>	<b>230,294</b>	<b>32,862,531</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.2 Foreign currency risk (Continued)

As at 31 December 2009	USD HK\$	SGD HK\$	RPH HK\$	PHP HK\$	Others HK\$	Total HK\$'000
<b>Assets</b>						
Cash and Bank	11,551,235	25,187,026	391,806	226,501	245,582	37,602,150
Trade	2,692,591	-	-	-	-	2,692,591
Amounts due from a related company	3,835,899	-	-	-	-	3,835,899
Loans and advances	1,603,263	319,666	-	-	-	1,922,929
<b>Total financial assets</b>	<b>19,682,988</b>	<b>25,506,692</b>	<b>391,806</b>	<b>226,501</b>	<b>245,582</b>	<b>46,053,569</b>
<b>Liabilities</b>						
Loans from banks and FI	6,979,550	-	-	-	-	6,979,550
Amounts due to related companies	(1,963,553)	24,868,350	232,280	-	-	23,137,077
Other payables and accrued expenses	4,866,948	1,748,879	2,529	-	-	6,618,356
<b>Total financial liabilities</b>	<b>9,882,945</b>	<b>26,617,229</b>	<b>234,809</b>	<b>-</b>	<b>-</b>	<b>36,734,983</b>
<b>Net on-balance sheet financial position</b>	<b>9,800,043</b>	<b>(1,110,537)</b>	<b>156,997</b>	<b>226,501</b>	<b>245,582</b>	<b>9,318,586</b>

The following sensitivity table demonstrates the effect of a 10% rise or fall in foreign exchange rates for each of the major foreign currency exposures of the Company as at 31 December 2010:

#### Effect on income

Impact on profit before tax if exchange rate moves as follows:

2010	Singapore Dollar (SGD) HK\$	Indonesian Rupiah (RPH) HK\$	Philippine Peso (PHP) HK\$
Depreciates by 10% against HKD	(423,679)	(95,866)	(230,925)
Appreciates by 10% against HKD	346,647	78,436	188,939
2009	Singapore Dollar (SGD) HK\$	Indonesian Rupiah (RPH) HK\$	Philippine Peso (PHP) HK\$
Depreciates by 10% against HKD	123,393	(17,444)	(25,167)
Appreciates by 10% against HKD	(100,958)	14,272	20,591



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfill commitments to lend.

##### 3.3.1 Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by Treasury Department and Accounting Department, includes:

- Maintaining a portfolio of high amount of cash and cash equivalents as protection against any unforeseen interruption to cash flow.
- Maintaining adequate committed and uncommitted banking facilities in order to fund unexpected cash outflow requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next week and next month, as these are key periods for liquidity management.

##### 3.3.2 Undiscounted cash flows by contractual maturities

The tables below present the cash flows payable by the Company under non-derivative financial liabilities. As at 31 December 2010 and 2009, the Company did not have derivative financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

The following analysis is in Hong Kong dollars equivalents.

As at 31 December 2010	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 Years	Total
<b>Non-derivative cash flow</b>						
<b>Liabilities</b>						
Loans from banks and financial institutions	61,290	1,261,618	469,174	2,502,262	4,170,437	8,464,781
Amounts due to holding company	1,740,219	3,480,438	15,661,972	-	-	20,882,629
Amounts due to related companies	700,219	-	-	-	-	700,219
Amounts due to directors	2,524,413	-	-	-	-	2,524,413
Other accruals and payables	1,596,471	3,192,941	14,368,236	-	-	19,157,648
<b>Total liabilities</b> (contractual maturity dates)	<b>6,622,612</b>	<b>7,934,997</b>	<b>30,499,382</b>	<b>2,502,262</b>	<b>4,170,437</b>	<b>51,729,690</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.2 Undiscounted cash flows by contractual maturities (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 Years	Total
<b>As at 31 December 2009</b>						
<b>Non-derivative cash flow</b>						
<b>Liabilities</b>						
Loans from banks and financial institutions	7,396,819	811,553	1,929,555	2,941,903	6,410,759	19,490,589
Amounts due to related companies	4,760,216	-	-	-	-	4,760,216
Amounts due to director	-	-	2,576,340	-	-	2,576,340
Other accruals and payables	1,940,613	3,881,982	14,889,178	-	-	20,711,773
<b>Total liabilities</b> (contractual maturity dates)	<b>14,097,648</b>	<b>4,693,535</b>	<b>19,395,073</b>	<b>2,941,903</b>	<b>6,410,759</b>	<b>47,538,918</b>

##### 3.3.3 Off-balance sheet items

All the below analysis is in Hong Kong dollars equivalents.

	No later than 1 year	1-5 years	Total
<b>As at 31 December 2010</b>			
Trade-related contingencies (Note i)	2,447,213	-	2,447,213
Commitments under undrawn facilities (Note ii)	25,435,348	-	25,435,348
Operating lease commitments (Note iii)			
- Land and buildings	650,004	1,300,008	1,950,012
<b>Total</b>	<b>28,532,565</b>	<b>1,300,008</b>	<b>29,832,573</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.3 Liquidity risk (Continued)

##### 3.3.3 Off-balance sheet items (Continued)

	No later than 1 year	1-5 years	Total
<b>As at 31 December 2009</b>			
Trade-related contingencies (Note i)	527,313	-	527,313
Commitments under undrawn facilities (Note ii)	6,067,080	-	6,067,080
Operating lease commitments (Note iii)			
- Land and buildings	650,004	1,950,012	2,600,016
<b>Total</b>	<b>7,244,397</b>	<b>1,950,012</b>	<b>9,194,409</b>

Note:

- (i) Trade-related contingencies represented the Company's commitment under letter of credit, trade bills and the Company's other trade finance business.
- (ii) Commitments under undrawn facilities represented the undrawn loan commitment granted to related parties (Note 22(c)).
- (iii) Operating lease commitments represented the future aggregate minimum lease payments under non-cancellable operating leases when the Company was a lessee.

#### 3.4 Fair value of financial assets and liabilities

For the years ended 31 December 2010 and 2009, no valuation technique has been used for measuring the fair value of financial instruments.

The carrying value less impairment provision of loans and advances, trade bills, amount due from a holding company/related companies and other prepayments and receivables are assumed to approximate their fair values. The carrying value of financial liabilities is equivalent to its fair value.



## NOTES TO THE FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.5 Capital management

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

The capital structure of the Company consists of equity comprising issued share capital and retained earnings as well as debt comprising loans from banks and financial institutions.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendation of the directors, the Company will balance its overall capital structure through payment of dividend and debt refinancing.

### 4 Critical accounting estimates and assumptions

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgments, which affect the carrying value of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

#### **Impairment allowances on loans and advances to customers**

The Company reviews its loan portfolio to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in the assumptions used would affect the reported impairment allowances on loans and advances.



## NOTES TO THE FINANCIAL STATEMENTS

### 5 Turnover

The Company is principally engaged in trade financing, commercial advances and personal loans.

	2010 HK\$	2009 HK\$
Interest income	22,574,181	30,755,520
Commission income	3,944,084	2,181,831
	<b>26,518,265</b>	<b>32,937,351</b>

### 6 Other operating income

	2010 HK\$	2009 HK\$
Net exchange gain	1,034,368	1,627,969
Loan penalty interest and charges	2,576,845	5,531,638
Others	224,508	395,974
	<b>3,835,721</b>	<b>7,555,581</b>

### 7 Operating expenses

	2010 HK\$	2009 HK\$
Salaries and allowances (including directors' emoluments in Note 9)	5,767,418	7,331,057
Pension costs - mandatory provident fund scheme	268,156	265,849
Bank charges	417,278	513,390
Commission charges	2,127,842	2,507,189
Operating leases - land and buildings	918,837	2,575,591
Depreciation	788,060	623,835
(Gain) / Loss on disposal of property, plant and equipment	(295)	105,820
Legal and professional fees	21,610	73,594
Auditors' remuneration:		
- current for provisions	390,000	371,000
- under provisions in prior years	38,000	-
Other operating expenses	2,100,751	2,129,890
	<b>12,837,657</b>	<b>16,497,215</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 8 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

	2010 HK\$	2009 HK\$
Current taxation:		
- Hong Kong profits tax	1,590,775	2,411,596
- Over-provisions in prior years	(128,277)	-
Deferred taxation (note 20)	101,669	-
Taxation	<u>1,564,167</u>	<u>2,411,596</u>

The taxation on the Company's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the Company as follows:

	2010 HK\$	2009 HK\$
Profit before taxation	9,460,358	14,346,152
Calculated at a taxation rate of 16.5% (2009: 16.5%)	1,560,959	2,367,115
Income not subject to taxation	(100,214)	(3,015)
Expenses not deductible for taxation purposes	231,699	47,496
Over-provisions in prior years	(128,277)	-
Taxation charge	<u>1,564,167</u>	<u>2,411,596</u>

### 9 Directors' emoluments

	2010 HK\$	2009 HK\$
Fees	103,068	898,590
Other emoluments	1,936,602	2,361,060
	<u>2,039,670</u>	<u>3,259,650</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 10 Cash and bank balances

At 31 December 2010, bank balances of HK\$9,476,212 (2009: HK\$9,438,388) were charged to banks as a continuing security for foreign exchange and loan facilities.

### 11 Dividends

	2010		2009	
	Per share HK\$	Total HK\$	Per share HK\$	Total HK\$
Interim dividend declared and paid	0.0650	6,500,000	0.1148	11,480,000

In accordance with resolutions passed by all directors on 29 December 2010, the Board of Directors declared interim dividend of HK\$0.0650 per ordinary share, totalling HK\$6,500,000 which were paid on 30 December 2010.

### 12 Amounts due from / to the holding company

The amounts represent the balance due from / to the holding company. They are unsecured, interest free and repayable on demand.

### 13 Loans and advances

	2010 HK\$	2009 HK\$
Loans and advances	93,801,857	74,119,454
Allowance for impairment losses		
- Collective assessment	(1,652,705)	(2,002,636)
- Individual assessment	-	-
	<b>92,149,152</b>	<b>72,116,818</b>

Included in the loans and advances is an amount of HK\$36,438,119 due from a director of the holding company (Note 22).



## NOTES TO THE FINANCIAL STATEMENTS

### 13 Loans and advances (Continued)

The movements of impairment provision are set out as follows:

	2010		
	Individual assessment HK\$	Collective assessment HK\$	Total HK\$
At 1 January	-	2,002,636	2,002,636
Net impairment charge / (credit) to income statement	8,176,703	(349,931)	7,826,772
Recoveries of receivables written off in previous years	119,098	-	119,098
Amount written off	(8,295,801)	-	(8,295,801)
At 31 December	-	1,652,705	1,652,705

	2009		
	Individual assessment HK\$	Collective assessment HK\$	Total HK\$
At 1 January	-	2,395,149	2,395,149
Net impairment charge / (credit) to income statement	9,259,469	(392,513)	8,866,956
Recoveries of receivables written off in previous years	71,271	-	71,271
Amount written off	(9,330,740)	-	(9,330,740)
At 31 December	-	2,002,636	2,002,636



## NOTES TO THE FINANCIAL STATEMENTS

### 14 Property, plant and equipment

	Property HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>At 31 January 2009</b>					
Cost	2,085,366	567,387	5,536,639	88,000	8,277,392
Accumulated depreciation	(52,135)	(441,296)	(4,107,136)	(34,222)	(4,634,789)
<b>Net book amount</b>	<b>2,033,231</b>	<b>126,091</b>	<b>1,429,503</b>	<b>53,778</b>	<b>3,642,603</b>
<b>Year ended</b>					
<b>31 December 2009</b>					
Opening net book amount	2,033,231	126,091	1,429,503	53,778	3,642,603
Additions	49,960	1,442,738	668,618	-	2,161,316
Disposals	-	(64,596)	(51,624)	-	(116,220)
Depreciation charge	(53,072)	(39,210)	(502,220)	(29,333)	(623,835)
Closing net book amount	2,030,119	1,465,023	1,544,277	24,445	5,063,864
<b>At 31 December 2009</b>					
Cost	2,135,326	1,483,539	5,344,362	88,000	9,051,227
Accumulated depreciation	(105,207)	(18,516)	(3,800,085)	(63,555)	(3,987,363)
Net book amount	2,030,119	1,465,023	1,544,277	24,445	5,063,864
<b>Year ended</b>					
<b>31 December 2010</b>					
Opening net book amount	2,030,119	1,465,023	1,544,277	24,445	5,063,864
Additions	-	3,550	105,914	-	109,464
Disposals	-	-	(5)	-	(5)
Depreciation charge	(53,383)	(222,797)	(487,436)	(24,444)	(788,060)
Closing net book amount	1,976,736	1,245,776	1,162,750	1	4,385,263
<b>At 31 December 2010</b>					
Cost	2,135,326	1,487,089	5,427,218	88,000	9,137,633
Accumulated depreciation	(158,590)	(241,313)	(4,264,468)	(87,999)	(4,752,370)
<b>Net book amount</b>	<b>1,976,736</b>	<b>1,245,776</b>	<b>1,162,750</b>	<b>1</b>	<b>4,385,263</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 15 Loans from banks and financial institutions

At 31 December 2010, the property of the Company has been pledged to a financial institution to obtain bank loans.

At 31 December 2009, the loans from banks and financial institutions are secured by bank deposits of HK\$9,438,388. The property of the Company and a related company has also been pledged to a financial institution to obtain bank loans.

### 16 Amount due from / to related companies

	2010 HK\$	2009 HK\$
Amounts due from a related companies	<b>22,852,828</b>	3,835,899
Amounts due to related companies	<b>700,219</b>	4,760,216

Related companies include some companies which have a director same as the Company. Amounts due from/to related companies are generally unsecured, interest free and repayable on demand.

### 17 Other accruals and payables

	2010 HK\$	2009 HK\$
Cash collaterals	<b>6,587,282</b>	642,543
Provision for staff bonus	<b>1,00,000</b>	1,680,342
Unearned income (Note 22)	<b>39,640</b>	1,732,632
Amount due to a director of the holding company	-	419,126
Accrued expenses and other payables	<b>12,430,726</b>	16,236,374
	<b>19,157,648</b>	20,711,017

The amount due to directors and a director of the holding company is unsecured, interest free and repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

### 18 Share capital

	<b>2010</b>	2009
	<b>HK\$</b>	HK\$
Authorised		
200,000,000 ordinary shares of HK\$1 each	<b>200,000,000</b>	200,000,000
Issued and fully paid		
100,000,000 (2009: 100,000,000) ordinary shares of HK\$1 each	<b>100,000,000</b>	100,000,000

### 19 Reserves

	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Balance at 1 January 2009	1,785,000	232,726	2,017,726
Profit for the year	-	11,934,556	11,934,556
2009 interim dividend	-	(11,480,000)	(11,480,000)
Balance at 31 December 2009	1,785,000	687,282	2,472,282
Balance at 1 January 2010	1,785,000	687,282	2,472,282
Profit for the year	-	7,896,191	7,896,191
2010 interim dividend	-	(6,500,000)	(6,500,000)
Balance at 31 December 2010	1,785,000	2,083,473	3,868,473

The dividends paid in 2010 were HK\$6,500,000 comprising HK\$0.0650 per share.

The dividends paid in 2009 were HK\$11,480,000 comprising HK\$0.1148 per share.



## NOTES TO THE FINANCIAL STATEMENTS

### 20 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2009: 16.5%).

The movement in deferred tax liabilities is as follows:

	2010 HK\$	2009 HK\$
At 1st January	-	-
Deferred taxation charged to statement of comprehensive income (Note 8)	<u>101,669</u>	-
At 31st December	<u>101,669</u>	<u>-</u>

The deferred tax liabilities relate to accelerated tax depreciation.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2010 HK\$	2009 HK\$
Deferred tax liabilities	<u>101,669</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 21 Notes to cash flow statement

#### (a) Reconciliation of profit before taxation to net cash flows generated from operations:

	2010 HK\$	2009 HK\$
Profit before taxation	9,460,358	14,346,152
Depreciation	788,060	623,835
(Gain) / Loss on disposal of property, plant and equipment	(295)	105,820
Charge of impairment losses	7,826,772	8,866,956
Operating profit before working capital changes	<u>18,074,895</u>	<u>23,942,763</u>
Decrease / (Increase) in trade bills	2,692,591	(1,052,675)
Decrease in amounts due from the holding company	1,526,258	17,941,613
(Increase) / Decrease in loans and advances - gross	(19,682,403)	12,673,865
Loans and advances written off net of recoveries	(8,176,703)	(9,259,469)
(Increase) / Decrease in other prepayments and receivables	163,891	996,836
(Increase) / Decrease in pledged deposits	(37,824)	4,262,488
Decrease in loans from banks and financial institutions	(9,916,615)	(13,731,191)
(Increase) / Decrease in amounts due from related companies	(19,016,929)	777,440
Increase in amounts due to the holding company	20,882,629	-
Decrease in amounts due to related companies	(4,059,997)	(6,134,979)
Decrease in amounts due to directors	(51,927)	(1,262,908)
(Decrease) / Increase in other accruals and payables	(1,553,369)	8,576,680
Net cash (used in) / generated from operations	<u>(19,155,503)</u>	<u>37,730,463</u>

#### (b) Analysis of the balances of cash and cash equivalents

	2010 HK\$	2009 HK\$
Unpledged cash and bank balances	<u>22,961,710</u>	<u>52,352,147</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 22 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financing and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence.

The following is a summary of significant related party transactions, in addition to those disclosed in note 9, 11, 12, 13 and 16 which were carried out in the normal course of the Company's business.

#### (a) Transactions with a related company

	2010 HK\$	2009 HK\$
Commission income from a related company (note i)	38,045	75,245
Rent received from a related company (note ii)	18,000	18,000
Commission paid to a related company (note iii)	162,955	83,890

Note:

- (i) The Company received commission from its related company for remittance services provided at agreed terms.
- (ii) The Company received monthly rental income from its related company on agreed terms.
- (iii) The Company paid commission to its related company for administrative services in regard to personal loans, at agreed terms.

#### b) Loans to a holding company's director/directors

	2010 HK\$
Beginning of the year	-
Loans advanced during the year (included in Loans and advances (Note 13))	39,652,007
Loan repayments received	(3,423,665)
Interest income	827,578
Interest received	(617,801)
End of the year	36,438,119

## NOTES TO THE FINANCIAL STATEMENTS

### 22 Related party transactions (Continued)

#### (b) Loans to a holding company's director/directors (Continued)

	2009 HK\$
Beginning of the year	-
Loans advanced during the year	57,380,606
Loan repayments received	(57,380,606)
Interest income	623,180
Interest received	(623,180)
	<hr/>
End of the year	-
	<hr/>

The terms and conditions of the loans advanced to a holding company's director/directors and disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

A holding company's director/directors' loans in 2010 (in HK\$)

Name of director	Amount of loans (excluding interest) at the end of the year	Amount of loans	Maximum outstanding during the year	Term	Interest rate
Lie Chau Pin, Paul	-	2,723,665	2,723,665	Repayable within 1 year	15.00%
Jety Teh	-	700,000	700,000	Repayable within 1 year	15.00%
Hartanto Hady	1,500,000	1,500,000	1,500,000	Repayable within 1 year	15.00%
Hartanto Hady	11,672,850	11,672,850	11,672,850	Repayable within 1 year	15.00%
Hartanto Hady	2,200,000	2,200,000	2,200,000	Repayable within 1 year	1.50%
Hartanto Hady	3,735,312	3,735,312	3,735,312	Repayable within 1 year	1.50%
Hartanto Hady	17,120,180	17,120,180	17,120,180	Repayable within 1 year	15.00%

A holding company's director/directors' loans in 2009 (in HK\$)

Name of director	Amount of loans (excluding interest) at the end of the year	Amount of loans	Maximum outstanding during the year	Term	Interest rate
Hartanto Hady	-	8,607,606	8,607,606	Repayable within 1 year	5%
Hartanto Hady	-	38,773,000	38,773,000	Repayable within 1 year	3%
Hartanto Hady	-	10,000,000	10,000,000	Repayable within 1 year	15%



## NOTES TO THE FINANCIAL STATEMENTS

### 22 Related party transactions (Continued)

#### (c) Other related party transactions

- (i) The Company has undrawn loan commitments to related parties amounting to HK\$25,435,348 (2009: HK\$4,575,347).
- (ii) The Company has entered into various credit facilities with related companies controlled by a director of the holding company. During the year, the income recognised for such facilities was HK\$6.5 million (2009: HK\$2.6 million), and as at 31 December 2010, there was unearned income of HK\$39,640 (2009: HK\$1.7 million).
- (iii) Four directors of the Company have made personal guarantee in respect of the loans, which the Company borrowed from a financial institution. As at 31 December 2010, the total amount of such guarantee was HK\$13,400,000 (2009: HK\$25,770,000).
- (iv) Two loans of total amount of HK\$968,384 (2009: HK\$230,000) was granted to a director's connected person, interest and facility income recognised for such loans for the year ended 31 December 2010 was HK\$52,567 (2009: HK\$10,724). As at 31 December 2010, such loans balance was HK\$344,653 (2009: HK\$235,766) and are included in loans and advances in the balance sheet.
- (v) Included in other prepayments and receivables as at 31 December 2010 is an amount of HK\$773,457 (2009: HK\$113,000), representing the account receivables from a director of the holding company. It is interest free, unsecured, and repayable on demand.
- (vi) Loans have been granted to a director of the holding company/directors for the year ended 31 December 2010 and 2009. Refer to Note 22(b) for the movement of loans and interest income recognised.

### 23 Ultimate holding company

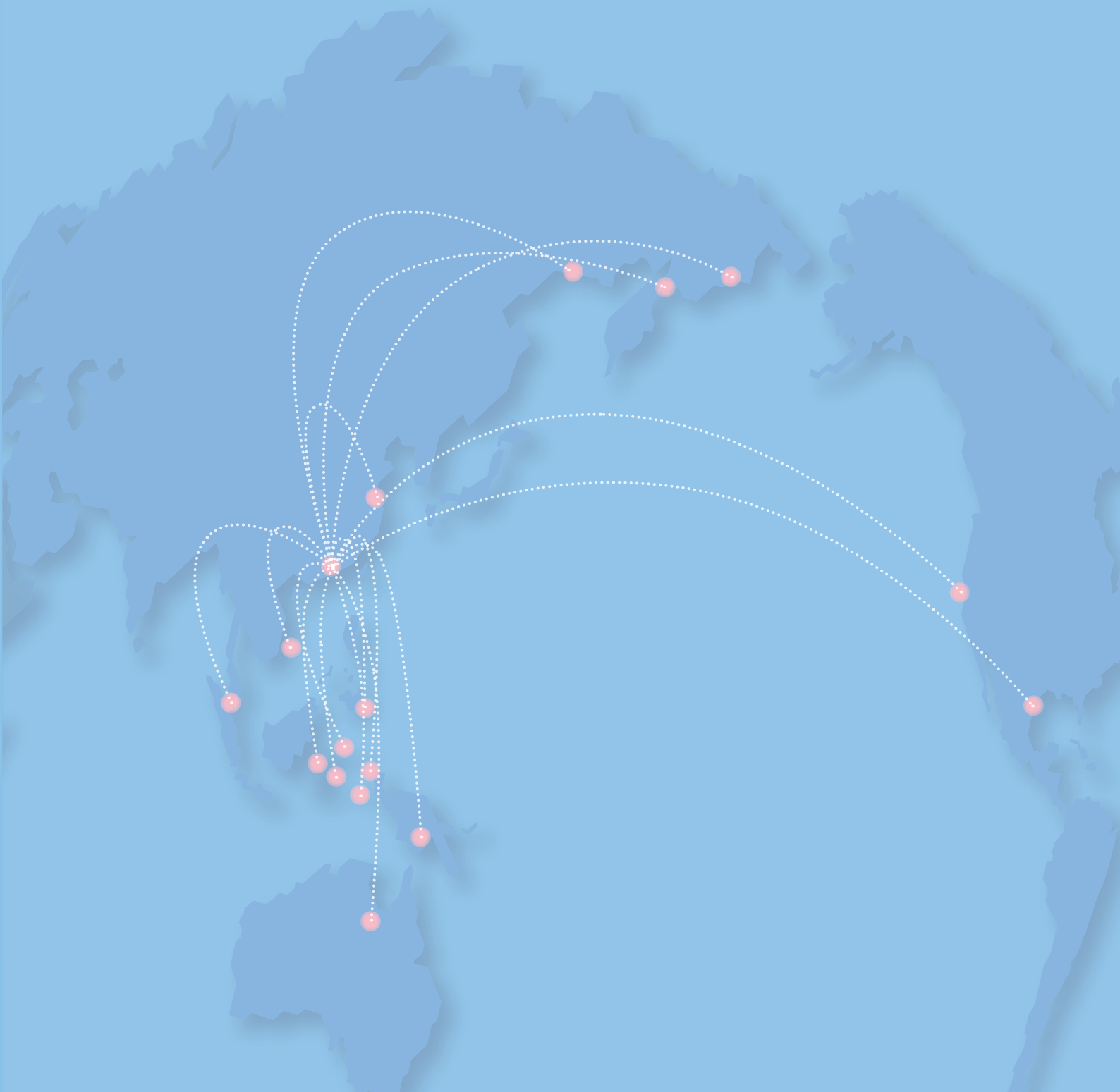
The directors regard Niaga Holding Limited, a company incorporated in Hong Kong, as being the ultimate holding company.

### 24 Approval of financial statements

The financial statements were approved by the Board of Directors on 5 August 2011.



COMPANY NETWORK





## COMPANY'S INFORMATION

### PRINCIPAL BANKERS

HSBC

Citibank, N.A.

Standard Chartered Bank

Bank Negara Indonesia

Bank of East Asia

Orix Asia Limited

Bank of China

Bank CIMB Niaga

Bank Mandiri

Development Bank of the Philippines

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