

DATED 31 March 2011

AURUM PACIFIC (CHINA) GROUP LIMITED

as the Vendor

and

HONG YUE LIMITED

as the Purchaser

SALE AND PURCHASE AGREEMENT

in relation to

MAX HONOUR INTERNATIONAL LIMITED

THIS AGREEMENT is made on the 31st day of March 2011

BETWEEN:

- (1) Aurum Pacific (China) Group Limited, a company incorporated in Cayman Islands with limited liabilities and having its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is at Unit 903, 9th Floor, Wing's Building, 110-116 Queen's Road Central, Central, Hong Kong (the "**Vendor**");
- (2) Hong Yue Limited, a company incorporated in the British Virgin Islands whose registered office is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, (the "**Purchaser**");

WHEREAS:

- (A) The Vendor's shares are listed on GEM (Stock Code: 8148).
- (B) Max Honour International Limited (the "**Company**"), a wholly-owned subsidiary of the Vendor, is a company incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, of which 1 ordinary share has been issued and is fully paid.
- (C) The Vendor legally and beneficially holds 1 Share, representing 100% of the issued share capital of the Company (the "**Sale Share**").
- (D) The Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share subject to and in accordance with the terms and conditions hereinafter set out.

NOW IT IS HEREBY AGREED as follows:

1. **INTERPRETATION**

In this Agreement, the following words and expressions shall have the following meanings except where the context otherwise requires:

- | | |
|-----------------------|--|
| "Audited Accounts" | means the audited balance sheet of the Company as at 31 December 2010, and the audited profit and loss accounts of each of the Company commencing from 1 January 2010 up to 31 December 2010, copies of which are attached as Exhibit 1; |
| "Business Day" | means a day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays and public holidays); |
| "Completion" | means the seventh Business Day following the day on which all the Conditions are fulfilled (or such later date as the Vendor and the Purchaser may agree in writing prior to Completion); |
| "Completion Accounts" | means the balance sheet of the Company as at the |

Completion Date and the profit and loss account of the Company for the financial period from 1 January 2011 to the Completion Date, which shall be prepared by Vendor and presented to the Purchaser within 4 weeks after the Completion Date;

"Completion Date"	date of the Completion;
"Conditions"	means the conditions for the transfer of the Sale Share specified in Clause 4 of this Agreement;
"Consideration"	means the consideration for the transfer of the Sale Share being the amount specified in Clause 3 of this Agreement;
"GEM"	means the Growth Enterprise Market of the Stock Exchange;
"GEM Listing Rules"	means the Rules Governing the Listing of Securities on GEM;
"HK\$"	means Hong Kong Dollars;
"Hong Kong"	means Hong Kong Special Administrative Region of the People's Republic of China;
"Net Asset Value"	means the net asset value of the Company as at the Completion Date, to be mutually agreed upon between the Vendor and the Purchaser, as contained in the balance sheet of the Completion Accounts prepared under generally accepted accounting principles in Hong Kong;
"Premium"	means HK\$500,000;
"Settlement Date"	means the third Business Day following the day on which the Vendor presented the Completion Accounts to the Purchaser.;
"Share"	means the ordinary share of HK\$1 each in the capital of the Company; and
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited.

2. THE SALE SHARE

Subject to the terms of this Agreement, the Vendor shall sell as beneficial owner and the Purchaser shall purchase free from all liens, charges and encumbrances and together with all rights now or hereafter attaching thereto.

3. CONSIDERATION

3.1 The Consideration for the Sale Share shall be the Net Asset Value plus the

Premium.

3.2 The Consideration shall be settled as follows:

- (i) as to HK\$3,000,000 payable by the Purchaser to the Vendor by bank cashier's cheque issued by a bank in Hong Kong or bankers' draft in favour of the Vendor or to the Vendor's direction on the Completion Date; and
- (ii) (a) if the Consideration is more than HK\$3,000,000, as to the balance of the Consideration payable by the Purchaser to the Vendor by bank cashier's cheque issued by a bank in Hong Kong or bankers' draft in favour of the Vendor or to the Vendor's direction on the Settlement Date; or
- (b) if the Consideration is less than HK\$3,000,000, as to the shortfall of the Consideration from HK\$3,000,000 payable by the Vendor to the Purchaser by bank cashier's cheque issued by a bank in Hong Kong or bankers' draft in favour of the Purchaser or to the Purchaser's direction on the Settlement Date

4. CONDITIONS

4.1 Completion of this Agreement is conditional in all respects upon:

- (i) Approvals: if necessary, all approvals by the shareholders of the Vendor and regulatory authorities (including but not limited to the Stock Exchange) for the transactions contemplated under this Agreement;
- (ii) Compliance of regulatory requirements: in relation to the transactions contemplated in this Agreement, all relevant regulatory requirements (including but not limited to those under the GEM Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied; and
- (iii) Warranties: the warranties having remained true and accurate in all material respects in accordance with Clause 6 of this Agreement.

4.2 None of the Conditions is waivable. If the Conditions have not been fulfilled by 30 June 2011 (or such later date as the parties hereto may agree in writing), all rights and obligations of the parties hereunder shall cease and determine, and none of the parties hereto shall have any claim against the others save for claims (if any) in respect of the aforesaid survival provisions or any antecedent breach hereof.

5. COMPLETION

- 5.1 Completion shall take place on the Completion Date at the principal place of business of the Vendor in Hong Kong or at such other place as may be agreed by the Purchaser and the Vendor.
- 5.2 At Completion, the Vendor shall deliver or cause to be delivered to the Purchaser:

- (i) duly executed instrument(s) of transfer and sold note(s) in respect of the Sale Share in favour of the Purchaser and/or its nominee(s);
- (ii) original share certificate in the name of the Purchaser and/or its nominee(s) in respect of the Sale Share; and
- (iii) a copy of the resolution of the board of the directors of the Vendor authorising the execution of and the performance of its obligations under this Agreement certified as a true copy by the directors of the Vendor.

5.3 At Completion, the Purchaser shall deliver or cause to be delivered to the Vendor:

- (i) a certified copy of the board resolutions or board minutes of the Purchaser approving and authorising the execution of this Agreement and completion of the transactions contemplated hereunder;
- (ii) produce instrument(s) of transfer and bought notes in respect of the Sale Share duly executed by the Purchaser or its nominees; and
- (iii) the amount referred to in Clause 3.2(i) by bank cashier's cheque issued by a bank in Hong Kong or bankers' draft in favour of the Vendor or to the Vendor's direction.

6. WARRANTIES

6.1 The Vendor warrants that it is the legal and beneficial owner of the Sale Share free and clear of any lien, charge or encumbrance whatsoever and the Company has not exercised any lien over any of its issued shares and there is no outstanding call on the Sale Share and the Sale Share is fully paid.

6.2 The Purchaser hereby warrants and represents to the Company that it is an independent third party not connected with the directors, chief executive, substantial shareholder(s) of the Vendor or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules).


7. TIME

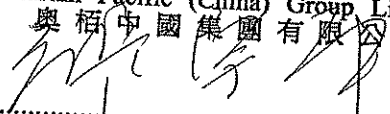
Time is of the essence of this Agreement in every respect.

8. GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereto submit to the non-exclusive jurisdiction of the Hong Kong courts for the purpose of determining or enforcing any claim arising hereunder.

IN WITNESS WHEREOF this Agreement has been executed on the day and year first above written.

SIGNED by)
for and on behalf of)
Aurum Pacific (China))
Group Limited)
in the presence of :)
Wong Chi Yan )

For and on behalf of
Aurum Pacific (China) Group Limited
奧栢中國集團有限公司

.....
Authorized Signature(s)

SIGNED by)
for and on behalf of)
Hong Yue Limited)
in the presence of :)
)
)


For and on behalf of
HONG YUE LIMITED
弘悅有限公司

.....
Authorised Signature(s)

EXHIBIT 1

AUDITED ACCOUNTS OF
MAX HONOUR INTERNATIONAL LIMITED

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)
(Incorporated in Hong Kong with limited liability)

**Directors' Report and
Financial Statements**
For the year ended 31 December 2010

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

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

CONTENTS

	Page
Directors' Report	1
Independent Auditor's Report	3
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Detailed Income Statement	20

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company is trading of computerised smart sockets and related accessories.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2010 and state of the Company's affairs as at that date are set out in the financial statements on pages 5 to 19.

An interim dividend of HK\$1,287,818 per share, totaling HK\$1,287,818 was paid during the year. The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

DIRECTORS

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

Cheung, Yu Ping
Chan, Chi Chiu Henry
Cai, Dongmei

In accordance with Article 7 of the Company's Article of Association, all directors retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

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

At no time during the year was the Company, its holding company, or any of its fellow subsidiaries a party to any arrangement 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.

MANAGEMENT CONTRACTS

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

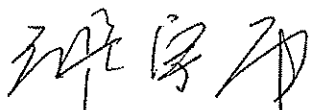
MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

DIRECTORS' REPORT

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the Company's auditor.

On behalf of the Board



Director

Hong Kong, 22 March 2011



Tel : +852 2541 5041
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話: +852 2541 5041
傳真: +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF MAX HONOUR INTERNATIONAL LIMITED**
(得鴻國際有限公司)
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Max Honour International Limited set out on pages 5 to 19, which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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. This report is made 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 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 SHAREHOLDER OF MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)
(Incorporated in Hong Kong with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of its profit 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.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 22 March 2011

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

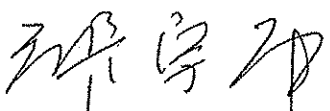
	Notes	2010 HK\$	2009 HK\$
Turnover	6	38,331,839	36,802,910
Cost of sales		<u>(32,201,711)</u>	<u>(30,288,453)</u>
Gross profit		6,130,128	6,514,457
Selling and distribution expenses		(1,533,276)	(1,414,025)
Administrative expenses		<u>(1,113,271)</u>	<u>(2,587,758)</u>
Profit before income tax expense	7	3,483,581	2,512,674
Income tax expense	8	<u>(574,790)</u>	<u>(414,591)</u>
Profit and total comprehensive income for the year		<u><u>2,908,791</u></u>	<u><u>2,098,083</u></u>

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

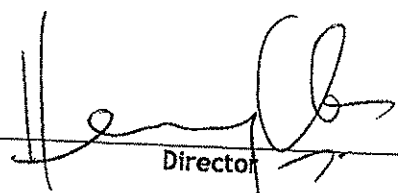
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	Notes	2010 HK\$	2009 HK\$
Current assets			
Trade receivables			
Amount due from holding company	9	8,220,251	4,222,624
Cash at banks and in hand	12(c)	-	3,307,551
		<u>413,032</u>	<u>6,800</u>
Total current assets		8,633,283	7,536,975
Current liabilities			
Trade payables			
Amount due to a fellow subsidiary	12(c)	(4,361,504)	(2,257,604)
Tax payable		-	(2,296,054)
		<u>(160,199)</u>	<u>(492,710)</u>
Total current liabilities		(4,521,703)	(5,046,368)
Net assets		4,111,580	2,490,607
Capital and reserves			
Share capital			
Retained profits	10	¹ <u>4,111,579</u>	¹ <u>2,490,606</u>
Total equity		4,111,580	2,490,607

On behalf of the Board



Director



Director

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

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

	Share capital HK\$ (Note 10)	Retained profits HK\$	Total HK\$
Balance at 1 January 2009	1	392,523	392,524
Profit and total comprehensive income for the year	-	2,098,083	2,098,083
Balance at 31 December 2009	1	2,490,606	2,490,607
Dividends approved (Note 11)	-	(1,287,818)	(1,287,818)
Profit and total comprehensive income for the year	-	2,908,791	2,908,791
Balance at 31 December 2010	1	4,111,579	4,111,580

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK\$	2009 HK\$
Operating activities		
Profit before income tax expense and operating cash flows before working capital changes	3,483,581	2,512,674
(Increase)/decrease in trade receivables	(3,997,627)	3,903,115
Decrease/(increase) in amount due from holding company	2,019,733	(3,307,551)
Increase/(decrease) in trade payables	2,103,900	(5,101,547)
(Decrease)/increase in amount due to fellow subsidiaries	(2,296,054)	1,474,958
Decrease in amount due to holding company	-	(579,999)
Cash generated from/(used in) operations	1,313,533	(1,098,350)
Income tax paid	(907,301)	-
Net cash from/(used in) operating activities	406,232	(1,098,350)
Cash at banks and in hand at beginning of year	6,800	1,105,150
Cash at banks and in hand at end of year	413,032	6,800

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

1. GENERAL

Max Honour International Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its registered office and principal place of business are located at Room 3707, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The directors consider the immediate and ultimate parent of the Company to be Aurum Pacific (China) Group Limited (incorporated in the Cayman Islands).

The Company is engaged in trading of computerised smart sockets and related accessories.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs - effective 1 January 2010

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

The adoption of these new/revised standards and interpretations has no significant impact on the Company's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Company's operations, have been issued but are not yet effective and have not been early adopted by the Company.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ^{1&2}
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 9	Financial Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 January 2013

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Company is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Company's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the Hong Kong Companies Ordinance.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentational currency

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

The Company classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Company assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Financial instruments - Continued

(ii) Impairment loss on financial assets - Continued

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and other financial liabilities are initially measured at fair value, net of directly attributable costs incurred.

All the Company's financial liabilities are classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Financial instruments - Continued

(v) Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Leasing

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

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(d) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. 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. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(f) Foreign currency

Transactions entered into by the Company in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(g) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Revenue recognition

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant effects on amounts recognised in the financial statements arising from the judgement used by management.

6. TURNOVER

Turnover, which is also revenue, represents the invoiced value of goods supplied to customers.

7. PROFIT BEFORE INCOME TAX EXPENSE

	2010 HK\$	2009 HK\$
Profit before income tax expense is arrived at after charging:		
Auditor's remuneration	150,000	150,000
Directors' remuneration	-	-
Management fees paid to group companies	<u>890,000</u>	<u>2,100,000</u>

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

8. INCOME TAX EXPENSE

The amount of income tax expense in the statement of comprehensive income represents provision for Hong Kong profits tax calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

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

	2010 HK\$	2009 HK\$
Profit before income tax expense	<u>3,483,581</u>	<u>2,512,674</u>
Income tax calculated at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	<u>574,790</u>	<u>414,591</u>

The Company had no significant potential deferred tax assets and liabilities for the years ended 31 December 2010 and 2009.

9. TRADE RECEIVABLES

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired as at the end of reporting period is as follows:

	2010 HK\$	2009 HK\$
Not past due	7,046,248	4,222,624
Less than 1 month past due	<u>1,174,003</u>	<u>-</u>
	<u>8,220,251</u>	<u>4,222,624</u>

The trade receivables relate to customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of this balance as there have not been a significant change in credit quality and the balance is still considered fully recoverable. The Company does not hold any collateral over this balance.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

10. SHARE CAPITAL

	2010		2009	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Authorised:-				
Ordinary shares of HK\$1.00 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:-				
At beginning and end of year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

11. DIVIDENDS

An interim dividend of HK\$1,287,818 per share, totaling HK\$1,287,818 was paid during the year. The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

12. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- During the year and in the ordinary course of business, the Company paid management fees of HK\$400,000 (2009: HK\$960,000) and HK\$490,000 (2009: HK\$1,140,000) to its holding company and fellow subsidiaries respectively.
- During the year and in the ordinary course of business, the Company paid rental expense and building management fee in aggregate of HK\$66,816 (2009: HK\$334,853) to a fellow subsidiary.
- Amounts due from/(to) holding company and a fellow subsidiary were interest free, unsecured and settled in full during the year.
- Members of key management during the year comprised of the directors only who did not receive any remuneration during the year.

13. SIGNIFICANT NON-CASH TRANSACTION

During the year, an interim dividend of HK\$1,287,818 was declared and paid by debiting amount due from the holding company.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

14. OPERATING LEASE ARRANGEMENTS

The Company as lessee

	2010 HK\$	2009 HK\$
Minimum lease payments under operating leases recognised as an expense in the period	<u>57,202</u>	<u>291,211</u>

Operating lease payments represent rentals payable by the Company for its leased properties. The leased agreement was signed by a fellow subsidiary with the landlord. Accordingly, the Company had no outstanding operation lease commitment as at the end of the reporting period.

15. CAPITAL RISK MANAGEMENT

The Company objective of managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Company consists of equity attributable to owners of the Company only, comprising share capital and retained profits.

16. FINANCIAL RISK MANAGEMENT

The main risks arising from the Company's financial instruments in the normal course of the Company's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Company's financial management policies and practices described below.

(a) Credit risk

The Company's credit risk is primarily attributable to trade receivables. Management has credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

At the end of reporting period, the Company has a concentration of credit risk as 100% (2009: 83%) of the total trade receivables was due from the major selling distributor. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Company does not provide any other guarantees which would expose the company to credit risk.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

16. FINANCIAL RISK MANAGEMENT - Continued

(b) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in both short and long term.

(c) Interest rate risk

As the Company has no significant interest-bearing assets and liabilities, the Company's operating cash flows are substantially independent of changes in market interest rate.

(d) Currency risk

Currency risk to the Company is minimal as most of the Company's transactions are carried out in Hong Kong dollars.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

17. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Company's financial assets and financial liabilities as recognised at 31 December 2010 and 2009 may be categorised as follows:

	2010 HK\$	2009 HK\$
Financial assets		
Loans and receivables (including cash and bank balances)	<u>8,633,283</u>	<u>7,536,975</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>4,361,504</u>	<u>4,553,658</u>

18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2011.

MAX HONOUR INTERNATIONAL LIMITED
(得鴻國際有限公司)

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK\$	2009 HK\$
Turnover		
Sales		
Cost of sales	38,331,839	36,802,910
Purchase		
Gross profit	<u>(32,201,711)</u>	<u>(30,288,453)</u>
Selling and distribution expenses	6,130,128	6,514,457
Service fees		
Administrative expenses	(1,533,276)	(1,414,025)
Management fees		
Auditor's remuneration	890,000	2,100,000
Rent and rates	150,000	150,000
Building management fees	59,565	300,046
Legal and professional fees	7,251	34,807
	6,455	2,905
Profit before income tax expense	<u>(1,113,271)</u>	<u>(2,587,758)</u>
	<u>3,483,581</u>	<u>2,512,674</u>

(For management purposes only)

HONG YUE LIMITED
P.O. Box 957,
Offshore Incorporations Centre,
Road Town,
Tortola,
British Virgin Islands

Date: 7 April 2011

Dear Sirs,

Re: The sale and purchase agreement dated 31 March 2011 entered into between Hong Yue Limited and Aurum Pacific (China) Group Limited in relation to the sale and purchase of the entire issued share capital of Max Honour International Limited (the "Sale and Purchase Agreement")

We refer to the Sale and Purchase Agreement. Capitalised terms used herein shall have the same meanings as those defined in the Sale and Purchase Agreement unless otherwise stated. We hereby confirm our agreement to amend the following clause of the Sale and Purchase Agreement to the effect that the following clause(s) shall be construed as forming part of the Sale and Purchase Agreement in lieu of the respective clause(s) originally set out in the Sale and Purchase Agreement:-

1. The following definition under Clause 1 of the Sale and Purchase Agreement to be replaced by the following:

"Completion Accounts" the audited accounts of the Disposal Company for the financial period from 1 January 2011 to the Completion Date, which shall be presented to the Purchaser within 4 weeks after the Completion Date;


"Net Asset Value" means the audited net asset value of the Company as at the Completion Date as contained in the Completion Accounts;

This supplemental agreement and the Sale and Purchase Agreement shall all together constitute the whole agreement between the parties hereto on the subject matters contained therein and supersedes all prior understandings or agreements on the subject matter thereof. In the event that this Agreement contains any term inconsistent with that of the Sale and Purchase Agreement, the term contained in this Agreement shall prevail. This supplemental agreement may be modified only by a further writing that is duly executed by the parties hereto.

Save as otherwise expressly provided herein, all terms and conditions set out in the Sale and Purchase Agreement shall continue in full force and effect.

奧栢中國集團有限公司
AURUM PACIFIC
(CHINA) GROUP LIMITED
Yours faithfully,


For and on behalf of
AURUM PACIFIC (CHINA) GROUP LIMITED



Authorised Signature

We, the undersigned, hereby confirm our agreement to the above amendments on the Sale and Purchase Agreement.

For and on behalf of
HONG YUE LIMITED
弘悅有限公司


.....
Authorised Signature(s)

HONG YUE LIMITED