



LEE HING DEVELOPMENT LIMITED

Stock Code: 68

ANNUAL REPORT 2010

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Corporate Information

Board of Directors

Executive Directors

Mr. Tan Boon Seng (*Chairman and Managing Director*)

Mr. Chan Kai Kwok

Independent Non-executive Directors

Mr. Ho Hau Chong, Norman

Mr. Fung Ka Pun

Mr. Yeung Chik Kin

Audit Committee

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Yeung Chik Kin

Remuneration Committee

Mr. Ho Hau Chong, Norman (*Chairman*)

Mr. Fung Ka Pun

Mr. Yeung Chik Kin

Registered Office

Suites 1506-07, 15th Floor,

Nine Queen's Road Central,

Hong Kong

Share Registrars and Transfer Office

Tricor Standard Limited

26/F., Tesbury Centre,

28 Queen's Road East,

Hong Kong

Secretary

Mr. Chan Kai Kwok

Auditors

H. C. Watt & Company Limited

Principal Bankers

Credit Suisse AG

Hang Seng Bank Limited

Chong Hing Bank Limited

Public Bank Berhad

Website

www.lhd.com.hk

Corporate Information (Cont'd)

Biographical Details of Directors and Senior Management

Board of Directors

Mr. TAN Boon Seng, MA (Cantab)

Chairman and Managing Director, aged 55

Mr. Tan joined the Board of the Company on 19 January 1987 and was appointed Managing Director on 31 August 1989. He holds a Master of Arts from Cambridge University. He is also an Executive Director of IGB Corporation Berhad, a listed company in Malaysia and is a Director of Wo Kee Hong (Holdings) Limited and Genting Hong Kong Limited, all listed on The Stock Exchange of Hong Kong Limited.

Mr. HO Hau Chong, Norman, B.A., A.C.A., F.C.P.A.

Independent Non-executive Director, aged 55

Mr. Ho joined the Board of the Company on 31 August 1988. Mr. Ho is an Executive Director of Miramar Hotel & Investment Company Limited and Vision Values Holdings Limited, an Independent Non-executive Director of CITIC Pacific Limited, Hong Kong Ferry (Holdings) Company Limited, Starlight International Holdings Limited and Shun Tak Holdings Limited, which are listed on The Stock Exchange of Hong Kong Limited. He is a member of The Institute of Chartered Accountants in England and Wales, and a fellow of The Hong Kong Institute of Certified Public Accountants.

Mr. YEUNG Chik Kin

Independent Non-executive Director, aged 59

Mr. Yeung joined the Board of the Company on 21 September 1998. He has extensive experience in business administration.

Mr. FUNG Ka Pun (alias K. B. FUNG)

Independent Non-executive Director, aged 65

Mr. Fung joined the Board of the Company on 3 July 2003. He is an Independent Non-executive Director of GZI Transport Limited and Samling Global Limited, a Non-executive Director of China SCE Property Holdings Limited, all of which are listed on Main Board of The Stock Exchange of Hong Kong Limited. He is an Independent Non-executive Director of Lei Shing Hong Limited which was delisted on 17 March 2008. Mr. Fung is a member of The Association of International Accountants and The Institute of Chartered Secretaries and Administrators.

Mr. CHAN Kai Kwok, F.C.C.A., C.P.A.

Executive Director, aged 46

Mr. Chan joined the Company as Group Financial Controller and Company Secretary in 2001 and has been an Executive Director of the Company since 2003. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Letter to Shareholders

“Change is inevitable except from a vending machine.” - Anon
“The best investment on earth is earth.” - Louis S. Glickman, New York Post 1957

At the end of 2010, the net asset value of each Lee Hing share was HK\$11.32, which was up 12.41% from the 2009 close of HK\$10.07. By comparison, the Hang Seng Index rose 5.37%.

However, we still have a long way to go to catch up with the compounded growth rate of the Hang Seng Index of 10.49% since 1989 (ours is a mere 5.15%). Nevertheless, it is encouraging that we have taken two consecutive steps to close the gap.

During 2010, we trimmed our portfolio further to give us more flexibility to plan for an expected volatile year in 2011.

Sources of reported profits

The following table shows the main sources of our operating profits: –

	2010 (HK\$ Million)	2009 (HK\$ Million)
Operating profit:-		
Net gain on derivative financial instruments	17.5	9.3
Net gain on sale of available-for-sale listed investments	27.7	169.7
Net gain in foreign exchange	23.7	24.7
Net gain on sale of held for trading listed investments	14.9	42.2
Net gain on sale of held for trading unlisted investments	1.0	–
Net gain on financial assets at fair value through profit or loss	26.7	–
Unrealised gain on held for trading investments	14.6	71.2
Unrealised gain on derivative financial instruments	4.2	2.8
Unrealised gain on financial assets at fair value through profit or loss	31.1	–
Dividend income	10.2	28.6
Interest income	6.3	6.2
Interest income from unlisted investments	8.6	–
Income from listed investments	1.0	–
	<u>187.5</u>	<u>354.7</u>
Corporate expenses		
– finance costs	–	(2.8)
– operating expenses	<u>(20.7)</u>	<u>(19.6)</u>
	166.8	332.3
Donation	(0.3)	(7.7)
Impairment losses on available-for-sale investments	<u>(0.2)</u>	<u>(1.9)</u>
Operating profit	<u><u>166.3</u></u>	<u><u>322.7</u></u>

Letter to Shareholders (Cont'd)

Listed shares and funds

Below we present our holdings in listed shares and funds with a market value of more than HK\$50 million at 31 December 2010: –

	Market Value (HK\$ Million)
Malaysia	
Gold IS Berhad	189.9
IGB Corporation Berhad	<u>87.4</u>
	277.3
Hong Kong	
PetroChina Co. Ltd.	101.6
Channel Islands	
The Prime London Capital Fund	<u>120.8</u>
Total	<u><u>499.7</u></u>

Looking forward

2011 looks like another difficult-to-read year. While bubbles are starting to appear in some markets, money is still being forcefully pumped into the system. Furthermore, the ramification from the troubles in Middle East is still unclear. We shall maintain a defensive portfolio in the event of another sharp correction but at the same time we shall increase our exposure to the high end property sector in various parts of the world, especially in London. We shall attempt to add value to residential units by branding our products with either existing premium hotels brands or creating our own. In this regard, we are currently exploring various sites in different parts of the World ranging from Hakone in Japan to the Bahamas in the Caribbean.

As these plans take time to develop, we shall have to be patient before we can harvest the fruits.

Tan Boon Seng
Chairman

Hong Kong, 8 March 2011

Management Discussion and Analysis

Results for the year

The Group recorded HK\$525 million turnover for the year ended 31 December 2010, a 48% decrease as compared with last year. The significant decrease was largely attributable to the decrease in sales of available-for-sale listed investments.

Operating expenses were decreased from HK\$29 million to HK\$21 million as donations were decreased by HK\$7 million.

Operating profit after finance costs was HK\$166 million, a decrease of HK\$156 million as compared with last year. The decrease was mainly due to the decrease in net gain on disposals of available-for-sale and held for trading listed investments and the decrease in unrealised gain on held for trading investments.

Business review

The Group is principally engaged in share investment and dealing.

During the year under review, the Group's turnover was mainly attributable to sales of shares/units in Singamas Container Holdings Limited of HK\$36 million, Wing Tai Holdings Limited of HK\$166 million, Bosideng International Holdings Limited of HK\$16 million, Ascott Residence Trust of HK\$87 million and Mapletree Logistics Trust of HK\$81 million. In 2010, the Group acquired shares/units in Gold IS Berhad and The Prime London Capital Fund with cost of HK\$26 million and HK\$122 million respectively. The Group believes that these investments will generate considerable income in the future.

Financial resources and liquidity

The Group had bank deposits of HK\$649 million at the year end and the Group's borrowings were fully repaid.

Charges on Group's assets

The Group's leasehold land and buildings, certain available-for-sale investments, held for trading investments, financial assets at fair value through profit or loss and bank deposits with a total net book value of approximately HK\$1,274 million were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities

As at 31 December 2010, the Group had no contingent liabilities but the Company had contingent liabilities in respect of guarantees for banking facilities granted to subsidiaries in the sum of HK\$722 million.

Management Discussion and Analysis (Cont'd)

Significant investments

The Group had interests in Gold IS Berhad and IGB Corporation Berhad, companies listed in Malaysia, The Prime London Capital Fund, a fund listed in Channel Islands and PetroChina Company Limited, a company listed in Hong Kong. The market values of the investments as at 31 December 2010 were HK\$190 million, HK\$87 million, HK\$121 million and HK\$102 million respectively.

The Group also held debt securities in the sum of HK\$486 million as at 31 December 2010.

Material acquisitions and disposals

During the year, the Group acquired listed units in The Prime London Capital Fund and unlisted debt securities. The market value and fair value of the investments as at 31 December 2010 were HK\$121 million and HK\$486 million respectively.

During the year, the Group disposed of listed shares/units in Wing Tai Holdings Limited, Ascott Residence Trust and Mapletree Logistics Trust at consideration of HK\$166 million, HK\$87 million and HK\$81 million and resulted in gain of HK\$18 million, HK\$10 million and HK\$7 million respectively.

Foreign currency exposure

The Group had major investments, accounts receivable, bank balances and accounts payable denominated in Malaysian Ringgitt, British Pound and Singapore dollars, hence the Group had direct exposure to foreign exchange fluctuations. During the year under review, the Group did not use any foreign currency derivative product to hedge its exposure to currency risk. However, the management managed and monitored the exposure to ensure appropriate measures were implemented on a timely and effective manner.

Employees

As at 31 December 2010, the Group's number of staff was 8. The Group's remuneration policies, including both salaries and bonuses, are in line with local practice.

Directors' Report

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

Principal place of business

The Company is a limited company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Suites 1506-07, 15/F., Nine Queen's Road Central, Hong Kong.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 18 and 19 to the financial statements respectively.

Commentary on annual results

A commentary on annual results is included in Management Discussion and Analysis on pages 6 to 7.

Financial statements

The profit of the Group for the financial year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 58.

Particulars of subsidiaries

Particulars regarding the subsidiaries of the Group are set out in note 18 to the financial statements.

Particulars of associates

Particulars regarding the associates of the Group are set out in note 19 to the financial statements.

Share capital

Particulars regarding the share capital are set out in note 30 to the financial statements.

Reserves

The movements in reserves during the financial year are set out in note 31 to the financial statements and consolidated statement of changes in equity on page 24.

Dividends

In October 2010, an interim dividend of 5 HK cents per share (2009: 5 HK cents per share) was paid, amounting to HK\$7,587,000 (2009: HK\$7,656,000). The Directors now recommend the payment of a final dividend of 5 HK cents per share (2009: 5 HK cents per share) amounting to HK\$7,587,000 (2009: HK\$7,613,000).

Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$277,000 (2009: HK\$7,767,000).

Group's borrowings

Details of bank borrowings are shown in note 27 to the financial statements.

Directors' Report (Cont'd)

Property, plant and equipment

Details of movements in property, plant and equipment during the year are set out in note 17 to the financial statements on page 41.

Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Summary of financial information

A summary of the turnover, results, assets and liabilities of the Group for the last five financial years is shown on pages 59 to 60.

Directors

1. The Directors during the financial year were:
Mr. Tan Boon Seng (Managing Director)
Mr. Ho Hau Chong, Norman
Mr. Yeung Chik Kin
Mr. Fung Ka Pun
Mr. Chan Kai Kwok
2. In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, Mr. Tan Boon Seng offers himself for re-election. Mr. Yeung Chik Kin does not offer himself for re-election.
Mr. Tan Boon Seng
Mr. Yeung Chik Kin

Biographical details of Directors and senior management

Biographical details of Directors and senior management are set out on page 3.

Directors' right to acquire shares or debentures

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Service contracts of Directors

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without the payment of compensation other than statutory compensation.

Directors' interests in contracts

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had, whether directly or indirectly, a material interest subsisted at the end of the financial year or at any time during the financial year.

Directors' Report (Cont'd)

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2010, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Directors	Personal interests	Number of ordinary shares			Total	Percentage holding
		Family interests	Corporate interests			
Mr. Tan Boon Seng	900,000	2,991,000(iii)(iv)	52,340,000(i)(ii)(v)	56,231,000	37.06	
Mr. Ho Hau Chong, Norman	-	-	-	-	-	
Mr. Yeung Chik Kin	225,800	-	-	225,800	0.15	
Mr. Fung Ka Pun	-	-	-	-	-	
Mr. Chan Kai Kwok	-	-	-	-	-	

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.
- (ii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.
- (iii) TYMS Limited held 2,981,000 shares. This company is beneficially owned by Mr. Tan Boon Seng's children and Mr. Tan Boon Seng acts as trustee for his children.
- (iv) The wife of Mr. Tan Boon Seng held 10,000 shares.
- (v) Zali Capital Limited held 35,854,000 shares. Mr. Tan Boon Seng has beneficial interest in this company.

One nominee share in each of Lee Hing Investment Company, Limited and Wang Tak Company Limited which are both subsidiaries of the Company were held by Mr. Tan Boon Seng in trust for the Company.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

As at 31 December 2010, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company or any of its associated corporations.

Directors' Report (Cont'd)

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.

Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2010 the Company had been notified of the following interest in the Company's shares:

	Number of ordinary shares	Percentage holding
Tan Boon Seng	56,231,000 (i)	37.06
Petaling Garden (S) Pte. Limited	29,006,000 (ii)	19.11

Notes:

- (i) The 56,231,000 shares were held as to 900,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,386,000 shares by HK 1 Limited, as to 2,981,000 shares by TYMS Limited and as to 35,854,000 shares by Zali Capital Limited. Wah Seong Enterprises Sdn. Bhd., HK 1 Limited and Zali Capital Limited are beneficially owned by Mr. Tan Boon Seng. TYMS Limited is beneficially owned by the children of Mr. Tan Boon Seng and Mr. Tan Boon Seng acts as trustee for his children.
- (ii) The interest of Petaling Garden (S) Pte. Limited was held through its wholly-owned subsidiaries, Chiefyear Development Limited and Manifold Investments Pte. Limited.

Purchase, sale or redemption of listed securities

Details of repurchases by the Company of its own shares during the year are set out in note 30 to the financial statements on page 48. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption of the Company's listed securities by the Company or its subsidiaries during the year.

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010, except for the following deviations from code provisions A.2.1 and A.4.1.

Code provision A.2.1

Under code provision A.2.1, the roles of the Chairman and Chief Executive Officer (CEO) are required to be separated and not to be performed by the same individual. During the year, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director (equivalent to CEO in this case). This constitutes a deviation from code provision A.2.1. The reason for such deviation is set out below.

The arrangement under which the roles of an Executive Director, Chairman and Managing Director are performed by the same individual is the extension of the Company's existing corporate governance model. It has been considered beneficial at the present stage as it helps to maintain the continuity of the Company's policies and the stability of the Company's operations, as well as to enhance the management of the Company.

Directors' Report (Cont'd)

Code on Corporate Governance Practices (Cont'd)

Code provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1. The reason for such deviation is set out below.

According to the Articles of Association of the Company, one-third of the Directors (Executive and Non-executive) will retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives and is no less exacting than those in the code.

Corporate governance

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Report on Corporate Governance Practices on pages 14 to 17.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2010.

Audit Committee

An Audit Committee has been established and the members of the Committee are Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Emolument policy

The employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market standards.

Independent Non-executive Directors

Confirmation of independence has been received from each of the Independent Non-executive Directors of the Company and the Company considers all existing Independent Non-executive Directors to be independent.

Directors' Report (Cont'd)

Sufficiency of public float

According to the information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditors

The retiring auditors, H. C. Watt & Company Limited, have expressed their willingness to continue in office. A resolution to reappoint them as auditors of the Company will be put to the annual general meeting.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Tan Boon Seng
Chairman

Hong Kong, 8 March 2011

Report on Corporate Governance Practices

Corporate governance practices

The Board of Directors of the Company (the “Board”) continues to achieve high standards of corporate governance which it believes is crucial to the development of the Company and to safeguard the interests of the Company’s shareholders. The Company has taken effective measures to ensure that it is in compliance with the principles and provisions of the Code on Corporate Governance Practices (the “Code”). In the opinion of the Board, except for the deviations as disclosed in this report, the Company, has, throughout the year ended 31 December 2010, complied with the Code.

Directors’ securities transactions

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Model Code and upon specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2010.

Board of Directors

To ensure objectivity and impartiality in the management of the Company, the Board is made up of a balance of Executive Directors and Non-executive Directors such that no individual or small group can dominate the Board’s decision making. The Board comprises a total of five members, with a Chairman, also the Managing Director, one Executive Director and three Independent Non-executive Directors. The Board headed by Mr. Tan Boon Seng is mainly responsible for overseeing the Company’s strategic development and monitoring the Company’s day-to-day management and operation. During the reporting period, Mr. Tan Boon Seng acted as an Executive Director, Chairman and Managing Director. Although this arrangement constitutes a deviation from the Code, the Board considers that this structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, especially given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for running the business of the Company. The Board further believes that vesting the roles of Chairman and Managing Director in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategies.

Details of the composition of the Board, relationship among members of the Board, and biographical information of the Directors are set out in the section “Corporate Information” of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Report on Corporate Governance Practices (Cont'd)

Board of Directors (Cont'd)

In accordance with the Company's Articles of Association, one-third of the Directors shall be subject to retirement by rotation at each annual general meeting of the Company. In the opinion of the Directors, this meets the principle set out in Code provision A.4.2. According to Code provision A.4.1, Non-executive Directors should be appointed for a specific term and be subject to re-election. During the reporting period, none of the existing Non-executive Directors of the Company was appointed for a specific term. This constitutes a deviation from the Code but in the opinion of the Directors, since one-third of the Directors (Executive and Non-executive) will retire from office by rotation at each annual general meeting, this arrangement meets the same objective and is no less exacting than the Code. With respect to the appointment and removal of Directors, the Board considers such determination to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code to set up a Nomination Committee.

The Directors acknowledge their responsibilities for overseeing the preparation of financial statements of the Company. The Board is mindful of its responsibility to present a balanced and clear assessment of the Company's financial position and prospects. The Board is satisfied that it has met this obligation.

Audit Committee

The Audit Committee comprises Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin, being all the three Independent Non-executive Directors. Mr. Ho Hau Chong, Norman is the Chairman of the Audit Committee. The Audit Committee has adopted terms of reference, which are in line with the Code. The Audit Committee met two times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Company's financial statements for the year ended 31 December 2010 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-executive Directors, Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin. Mr. Ho Hau Chong, Norman is the Chairman of the Remuneration Committee. The Remuneration Committee has adopted terms of reference, which are in line with the Code. The Remuneration Committee is responsible for reviewing the remuneration policy and remuneration packages of the Executive Directors and members of the senior management.

Directors' interests and short positions in shares, along with Directors' interests in contracts, are listed in the section "Directors' Report" of this annual report. Directors' remuneration is listed in the "Notes to the Financial Statements" of this annual report.

Report on Corporate Governance Practices (Cont'd)

Attendance at meeting of the Board, the Audit Committee and the Remuneration Committee

<u>Directors</u>	<u>Full Board</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>
Chairman and Managing Director Mr. Tan Boon Seng	4/4	–	–
Executive Director Mr. Chan Kai Kwok	4/4	–	–
Independent Non-executive Directors			
Mr. Ho Hau Chong, Norman	4/4	2/2	1/1
Mr. Fung Ka Pun	4/4	2/2	1/1
Mr. Yeung Chik Kin	4/4	2/2	1/1

Nomination of Directors

The Board will meet to discuss nomination of Directors when circumstances required. Upon receipt of a nomination from members of the Board, a board meeting will then be convened to consider and discuss the nominated candidate(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirement under the Listing Rules.

Fees for audit and non-audit services

During the year, the Company engaged H. C. Watt & Company Limited to perform audit and non-audit related services and incurred audit related service fees of approximately HK\$468,000 (2009: HK\$475,000) and non-audit service fees of approximately HK\$128,000 (2009: HK\$130,000).

Internal control

The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

Report on Corporate Governance Practices (Cont'd)

Corporate communication

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Registrars serve the shareholders with respect to all share registration matters. The Company's annual general meeting provides a further opportunity for investors to exchange views with the Board. The Chairman and the Chairmen of the Audit Committee are available to answer shareholders' questions.

Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual Director. The circular despatched to shareholders together with the annual report includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as Directors at annual general meeting, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

Looking forward

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code on Corporate Governance Practices introduced by The Stock Exchange of Hong Kong Limited.

Independent Auditor's Report

TO THE SHAREHOLDERS OF LEE HING DEVELOPMENT LIMITED (Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Lee Hing Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 20 to 58, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report (Cont'd)

Opinion

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

H. C. WATT & COMPANY LIMITED

Certified Public Accountants
Room 1903 New World Tower
18 Queen's Road Central
Hong Kong

LAM HOK NIN, SAMMY
Practising Certificate No. P2975

8 March 2011

Consolidated Income Statement for the year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Turnover	6	<u>525,020</u>	<u>1,002,238</u>
Revenue and income		137,594	280,684
Unrealised gain on held for trading investments		14,613	71,237
Unrealised gain on derivative financial instruments		4,178	2,847
Unrealised gain on financial assets at fair value through profit or loss		31,073	–
Operating expenses		<u>(21,164)</u>	<u>(29,342)</u>
Operating profit before finance costs	8	166,294	325,426
Finance costs	11	<u>(40)</u>	<u>(2,759)</u>
Operating profit after finance costs		166,254	322,667
Share of results of associates		<u>(101)</u>	<u>(12)</u>
Profit before tax		166,153	322,655
Income tax	12(a)	<u>(805)</u>	<u>(2,916)</u>
Profit attributable to owners of the Company	13	<u>165,348</u>	<u>319,739</u>
Earnings per share (HK cents) Basic and diluted	16	<u>108.74</u>	<u>208.27</u>

Details of dividends paid and proposed are disclosed in note 15 to the financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Profit attributable to owners of the Company		165,348	319,739
Other comprehensive income			
Available-for-sale investments: net movements in investment revaluation reserve	14	<u>37,276</u>	<u>404,152</u>
Total comprehensive income attributable to owners of the Company		<u>202,624</u>	<u>723,891</u>

Consolidated Statement of Financial Position as at 31 December 2010

	Note	31.12.2010 HK\$'000	31.12.2009 HK\$'000 (Restated)	1.1.2009 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment	17	16,341	16,461	16,621
Associates	19	3,639	3,740	3,752
Available-for-sale investments	20	285,744	445,649	692,432
Other non-current assets	21	2,258	2,290	2,290
		<u>307,982</u>	<u>468,140</u>	<u>715,095</u>
Current assets				
Held for trading investments	22	268,441	182,037	151,881
Financial assets at fair value through profit or loss	23	509,779	–	–
Derivative financial instruments	24	–	20	–
Other assets	25	295	295	295
Accounts receivable, deposits and prepayments	26	17,451	16,491	1,964
Time deposits and bank balances		648,719	989,594	256,432
		<u>1,444,685</u>	<u>1,188,437</u>	<u>410,572</u>
Current liabilities				
Bank borrowings	27	–	95,559	282,309
Accounts payable, deposits and accruals	28	23,808	11,085	6,558
Derivative financial instruments	24	10,782	6,598	–
Other payable	29	348	963	348
		<u>34,938</u>	<u>114,205</u>	<u>289,215</u>
Net current assets		<u>1,409,747</u>	<u>1,074,232</u>	<u>121,357</u>
Net assets		<u>1,717,729</u>	<u>1,542,372</u>	<u>836,452</u>
Equity				
Share capital	30	151,746	153,122	154,024
Reserves	31	1,558,396	1,374,024	674,727
Proposed dividends		7,587	15,226	7,701
Total equity		<u>1,717,729</u>	<u>1,542,372</u>	<u>836,452</u>

Tan Boon Seng
Director

Chan Kai Kwok
Director

Statement of Financial Position as at 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Subsidiaries	18	4,658	4,658
Associates	19	–	–
Other non-current assets	21	<u>1,617,465</u>	<u>1,473,502</u>
		<u>1,622,123</u>	<u>1,478,160</u>
Current assets			
Accounts receivable, deposits and prepayments	26	145	145
Bank balances		<u>477</u>	<u>398</u>
		622	543
Current liabilities			
Accounts payable, deposits and accruals	28	<u>1,762</u>	<u>2,383</u>
Net current liabilities		<u>(1,140)</u>	<u>(1,840)</u>
Net assets		<u>1,620,983</u>	<u>1,476,320</u>
Equity			
Share capital	30	151,746	153,122
Reserves	31	1,461,650	1,307,972
Proposed dividends		<u>7,587</u>	<u>15,226</u>
Total equity		<u>1,620,983</u>	<u>1,476,320</u>

Tan Boon Seng
Director

Chan Kai Kwok
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2010

	Share capital	Capital redemption reserve	Share premium	Capital reserve	Investment revaluation reserve	Retained profit	Proposed dividends	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2010	153,122	195,095	316,006	53,585	76,996	732,342	15,226	1,542,372
Profit for the year	-	-	-	-	-	165,348	-	165,348
Other comprehensive income for the year	-	-	-	-	37,276	-	-	37,276
Total comprehensive income for the year	-	-	-	-	37,276	165,348	-	202,624
Premium and brokerage expenses paid on share repurchases	-	-	-	-	-	(4,210)	-	(4,210)
2009 final dividend	-	-	-	-	-	-	(7,613)	(7,613)
2009 special dividend	-	-	-	-	-	-	(7,613)	(7,613)
2010 interim dividend	-	-	-	-	-	(7,587)	-	(7,587)
2010 final dividend	-	-	-	-	-	(7,587)	7,587	-
Unclaimed dividend forfeited	-	-	-	-	-	1,132	-	1,132
Repurchase of shares	(1,376)	-	-	-	-	-	-	(1,376)
Transfer to capital redemption reserve upon share repurchases	-	1,376	-	-	-	(1,376)	-	-
	(1,376)	1,376	-	-	-	(19,628)	(7,639)	(27,267)
At 31.12.2010	151,746	196,471	316,006	53,585	114,272	878,062	7,587	1,717,729
At 1.1.2009	154,024	194,193	316,006	53,585	(327,156)	438,099	7,701	836,452
Profit for the year	-	-	-	-	-	319,739	-	319,739
Other comprehensive income for the year	-	-	-	-	404,152	-	-	404,152
Total comprehensive income for the year	-	-	-	-	404,152	319,739	-	723,891
Premium and brokerage expenses paid on share repurchases	-	-	-	-	-	(1,823)	-	(1,823)
2008 final dividend	-	-	-	-	-	-	(7,701)	(7,701)
2009 interim dividend	-	-	-	-	-	(7,656)	-	(7,656)
2009 final dividend	-	-	-	-	-	(7,613)	7,613	-
2009 special dividend	-	-	-	-	-	(7,613)	7,613	-
Unclaimed dividend forfeited	-	-	-	-	-	111	-	111
Repurchase of shares	(902)	-	-	-	-	-	-	(902)
Transfer to capital redemption reserve upon share repurchases	-	902	-	-	-	(902)	-	-
	(902)	902	-	-	-	(25,496)	7,525	(17,971)
At 31.12.2009	153,122	195,095	316,006	53,585	76,996	732,342	15,226	1,542,372

Consolidated Statement of Cash Flows for the year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Net cash (used in)/generated from operating activities	32	<u>(453,790)</u>	<u>99,869</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(46)	(1)
Purchase of available-for-sale investments		(28,391)	(52,515)
Decrease/(increase) in bank deposits pledged to banks		459,195	(659,705)
Increase in time deposits with maturity exceeding three months		(157,711)	(11,783)
Net proceeds on disposals of available-for-sale listed investments		<u>258,133</u>	<u>865,793</u>
Net cash generated from investing activities		<u>531,180</u>	<u>141,789</u>
Cash flows from financing activities			
Repayment of bank loan		(95,559)	(189,832)
Repurchase of shares		(1,376)	(902)
Premium and brokerage expenses paid on share repurchases		(4,210)	(1,823)
Dividends paid		<u>(22,402)</u>	<u>(15,130)</u>
Net cash used in financing activities		<u>(123,547)</u>	<u>(207,687)</u>
Net (decrease)/increase in cash and cash equivalents		(46,157)	33,971
Cash and cash equivalents at beginning of the year		54,887	20,915
Effect of foreign exchange rates changes		<u>2</u>	<u>1</u>
Cash and cash equivalents at end of the year		<u>8,732</u>	<u>54,887</u>
Analysis of the balances of cash and cash equivalents			
Time deposits and bank balances		479,225	977,811
Bank deposits pledged to banks		<u>(470,493)</u>	<u>(922,924)</u>
		<u>8,732</u>	<u>54,887</u>

Notes to the Financial Statements

1. General information

The Company is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are property investment, investment holding, general investment and sales and purchases of securities.

2. Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs, which also include 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 disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The HKICPA has issued the following new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The adoption of the above new and revised HKFRSs has no material impact on these consolidated financial statements except for as described below:

As part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

Leasehold land that qualifies for finance lease classification has been reclassified from leasehold land to property, plant and equipment retrospectively. This resulted in leasehold land with the net book amounts of HK\$13,770,000 and HK\$13,754,000 as at 1 January 2009 and 31 December 2009 respectively being reclassified to property, plant and equipment.

As at 31 December 2010, leasehold land that qualifies for finance lease classification with the net book amount of HK\$13,737,000 has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the results for the current and prior years.

Notes to the Financial Statements (Cont'd)

3. Adoption of new and revised Hong Kong Financial Reporting Standards (Cont'd)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 32 (Amendments)	Classification of Rights Issues	1 February 2010
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1 July 2010
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2013
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
HKFRSs (Amendments)	Improvements to HKFRSs 2010	*

* Effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and financial liabilities and will be effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

HKFRS 9 requires all recognised financial assets that are within scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be subsequently measured at amortised cost or fair value. Specifically, debts investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

Notes to the Financial Statements (Cont'd)

3. Adoption of new and revised Hong Kong Financial Reporting Standards (Cont'd)

The application of HKFRS 9 may have an impact on the financial statements.

The Group has already commenced an assessment of the impact of the other new and revised HKFRSs but is not yet in a position to state whether the other new and revised HKFRSs would have a significant impact on its results of operation and financial position.

4. Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale investments, held for trading investments, financial assets at fair value through profit or loss and derivative financial instruments, which are stated at fair value.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December.

(c) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(c) Subsidiaries (Cont'd)

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in subsidiaries are stated at cost less any accumulated impairment losses.

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management including participation in the financial and operating policy decisions.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under equity method of accounting, less any accumulated impairment losses. The Group's share of the associates' post-acquisition results is recognised in the consolidated income statement, and its share of the associates' post-acquisition other comprehensive income is recognised in other comprehensive income. When the share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's statement of financial position, investments in associates are stated at cost less any accumulated impairment losses.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortisation and depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

Depreciation or amortisation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following annual rates.

Leasehold land classified as finance lease	over the lease term
Leasehold building	2%
Equipment and motor vehicles	10% – 20%

The useful lives and residual values of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

(f) Leases

Leases where substantially all the rewards and risks of ownerships of assets remain with the lessee are accounted for as finance leases. All other leases are accounted for as operating leases.

(g) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale (“AFS”) investments. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired.

(i) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

A financial asset is classified as held for trading if it has been acquired for the purpose of selling in the near term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. A derivative is also classified as held for trading unless it is designated as an effective hedging instrument or a financial guarantee contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(g) Financial assets (Cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include other non-current assets, accounts receivable and deposits, time deposits and bank balances.

(iii) AFS investments

AFS investments are non-derivatives that are either designated in this category or not classified as other categories of financial assets.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all those assets not carried at FVTPL. Financial assets at FVTPL are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at FVTPL and AFS investments are subsequently carried at fair value. The fair value of a investment is determined on the basis of its quoted market price or determined by financial institution or fund manager. In the case of investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are subsequently stated at cost less any accumulated impairment losses. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Gains and losses arising from changes in fair value of the financial assets at FVTPL are included in the income statement. Gains and losses arising from changes in fair value of AFS investments are recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. When AFS investments are sold, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments classified as AFS investments, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. In the case of loans and receivables, objective evidence of impairment includes significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(g) Financial assets (Cont'd)

If any such evidence exists for AFS investments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from investment revaluation reserve and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as AFS are not reversed through the income statement. For loans and receivables, the amount of the provision is the difference between the carrying amount of the receivables and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible. Subsequent recoveries of amounts previously written off are credited to income statement.

(h) Impairment of assets

At the end of each reporting period, assets, other than financial assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. When an indication of impairment exists, the Group estimates the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior year for an asset is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment losses are credited to income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

(j) Payables

Payables (including accounts payable, deposits and accruals and other payable) are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs associated with the borrowings. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(l) Income tax

Income tax represents the sum of current tax and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine deferred tax.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(m) Revenue recognition

Major categories of revenues are recognised in the financial statements on the following bases:

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

(n) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(o) Financial guarantees issued and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within accounts payable, deposits and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(o) Financial guarantees issued and contingent liabilities (Cont'd)

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in accounts payable, deposits, and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Contingent liabilities

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 Group. 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 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.

(p) Foreign currencies

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

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

Exchange differences arising on the translation of monetary items carried at fair value are reported as part of fair value gain or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of those foreign subsidiaries and associates that have a functional currency different from the presentation currency of the Group are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. On disposal of a foreign entity, the cumulative exchange difference which relates to that entity is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements (Cont'd)

4. Significant accounting policies (Cont'd)

(q) Related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party, exercise significant influence over the party or has joint control over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties include individuals being members of key management personnel of the Group, as well as close family members of, and entities which are controlled, jointly-controlled or significantly influenced by such individuals. Related parties also include post-employment benefit plans for the benefit of employees of the Group or its related parties.

5. Critical accounting estimates and judgements

The Group makes estimates, assumptions and judgements as appropriate in the preparation of the financial statements. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include write back/provision for impairment losses on investments in and advances to associates.

6. Turnover

Analysis of the Group's turnover is as follows:

	2010 HK\$'000	2009 HK\$'000
Sales of available-for-sale listed investments	253,134	870,702
Sales of held for trading listed investments	136,108	86,548
Sales of held for trading unlisted investments	6,816	–
Sales of derivative financial instruments	37,568	10,232
Sales of financial assets at fair value through profit or loss	65,285	–
Dividends from listed investments	9,605	28,598
Dividends from unlisted investments	615	–
Income from listed investments	918	–
Interest income on financial assets not at fair value through profit or loss	6,283	6,158
Interest income from unlisted investments	8,688	–
	<u>525,020</u>	<u>1,002,238</u>

7. Segment reporting

The Group determines its operating segments based on the internal reports reviewed by the Group's chief operating decision maker that are used to allocate resources to the segment and assess its performance. The chief operating decision maker of the Group has been identified as the Managing Director.

The Group has one reportable segment: share investment and dealing.

Notes to the Financial Statements (Cont'd)

8. Operating profit before finance costs

	2010 HK\$'000	2009 HK\$'000
Operating profit before finance costs is stated after charging/(crediting):		
Auditors' remuneration—		
audit services	468	475
others	128	130
Staff costs (excluding Directors' emoluments)	3,306	3,333
Depreciation	149	144
Amortisation of leasehold land	17	16
Impairment losses on available-for-sale investments	161	1,900
Loss on disposals of property, plant and equipment	—	1
Provision for impairment losses on advances to associate	32	—
Net exchange gain	(23,714)	(24,735)
Net gain on derivative financial instruments	(17,466)	(9,274)
Net gain on disposals of available-for-sale listed investments	(27,722)	(169,727)
Net gain on disposals of held for trading listed investments	(14,882)	(42,186)
Net gain on disposals of held for trading unlisted investments	(986)	—
Net gain on financial assets at fair value through profit or loss	(26,715)	—

9. Directors' remuneration

The emoluments of the Directors are as follows:

2010

	Fees	Salaries, allowances and benefits	Performance bonus	Contributions to retirement scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive Directors</i>					
Tan Boon Seng	100	5,022	3,666	339	9,127
Chan Kai Kwok	80	735	872	80	1,767
<i>Independent Non-executive Directors</i>					
Ho Hau Chong, Norman	100	—	—	—	100
Fung Ka Pun	80	—	—	—	80
Yeung Chik Kin	80	—	—	—	80
	<u>440</u>	<u>5,757</u>	<u>4,538</u>	<u>419</u>	<u>11,154</u>

Notes to the Financial Statements (Cont'd)

9. Directors' remuneration (Cont'd)

2009

	Fees	Salaries, allowances and benefits	Performance bonus	Contributions to retirement scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive Directors</i>					
Tan Boon Seng	80	4,731	4,019	351	9,181
Chan Kai Kwok	60	707	943	83	1,793
<i>Independent Non-executive Directors</i>					
Ho Hau Chong, Norman	80	-	-	-	80
Fung Ka Pun	60	-	-	-	60
Yeung Chik Kin	60	-	-	-	60
	<u>340</u>	<u>5,438</u>	<u>4,962</u>	<u>434</u>	<u>11,174</u>

The emoluments of Directors, including basic salary and performance bonus, are based on each Director's skill, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

There was no arrangement under which a Director had waived or agreed to waive any remuneration.

10. Five highest-paid employees

During the year, the five highest-paid employees in the Group included two (2009: two) Directors, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining three (2009: three) highest-paid non-director employees are as follows:

	2010 HK\$'000	2009 HK\$'000
Salaries and other emoluments	1,164	1,123
Performance bonus	725	725
Contributions to retirement scheme	<u>94</u>	<u>92</u>
	<u>1,983</u>	<u>1,940</u>

The emoluments of each of the non-director employee were below HK\$1,000,000 for 2010 and 2009.

Notes to the Financial Statements (Cont'd)

11. Finance costs

	2010 HK\$'000	2009 HK\$'000
Interest expenses on financial liabilities not at fair value through profit or loss – interest on bank loan (wholly repayable within 5 years)	<u>40</u>	<u>2,759</u>

12. Income tax

(a) Income tax in the consolidated income statement represents:

	2010 HK\$'000	2009 HK\$'000
Current tax		
Company and subsidiaries		
Overseas taxation	<u>805</u>	<u>2,916</u>

No Hong Kong profits tax has been provided by the Company and its subsidiaries for the 2010/11 year of assessment (2009/10: no provision) as no assessable profit was earned during the year or in view of tax loss relief available for set off against current year's assessable profit.

Overseas taxation represents withholding tax on dividend income received by the Group from overseas listed investments.

(b) The reconciliation between income tax and accounting profit of the Group in the financial statements is as follows:

	2010 HK\$'000	2009 HK\$'000
Profit before tax	166,153	322,655
Share of results of associates	<u>101</u>	<u>12</u>
	<u>166,254</u>	<u>322,667</u>
Notional tax at the applicable tax rate of 16.5% (2009: 16.5%)	27,432	53,240
Tax effect of net income that is not taxable in determining taxable profit	(29,860)	(56,289)
Tax effect of unrecognised tax losses in the year	2,428	3,049
Overseas withholding tax	<u>805</u>	<u>2,916</u>
Income tax	<u>805</u>	<u>2,916</u>

Notes to the Financial Statements (Cont'd)

12. Income tax (Cont'd)

(c) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
<u>Group</u>			
At 1.1.2009	58	(58)	–
Charged/(credited) to consolidated income statement for the year	<u>4</u>	<u>(4)</u>	<u>–</u>
At 31.12.2009	62	(62)	–
Charged/(credited) to consolidated income statement for the year	<u>9</u>	<u>(9)</u>	<u>–</u>
At 31.12.2010	<u><u>71</u></u>	<u><u>(71)</u></u>	<u><u>–</u></u>

(d) Deferred tax assets unrecognised

At 31 December 2010, the Group had unused tax losses of HK\$109,999,000 (2009: HK\$95,227,000) available for set off against future taxable profit. A deferred tax asset has been recognised in respect of HK\$433,000 (2009: HK\$378,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$109,566,000 (2009: HK\$94,849,000) due to unpredictability of future taxable profit streams. The tax losses do not expire under current tax legislation.

At 31 December 2010, the Company had unused tax losses of HK\$850,000 (2009: HK\$864,000).

13. Profit attributable to owners of the Company

The profit attributable to owners of the Company includes profit of HK\$171,930,000 (2009: HK\$658,525,000) which has been dealt with in the financial statements of the Company.

14. Other comprehensive income

	2010 HK\$'000	2009 HK\$'000
Available-for-sale investments		
Changes in fair value recognised during the year	64,998	573,951
Reclassification adjustment for amount transferred to profit or loss:		
Gain on disposals	<u>(27,722)</u>	<u>(169,799)</u>
Net movements in investment revaluation reserve during the year recognised in other comprehensive income	<u><u>37,276</u></u>	<u><u>404,152</u></u>

Notes to the Financial Statements (Cont'd)

15. Dividends

	2010 HK\$'000	2009 HK\$'000
Interim dividend paid – 5 HK cents per share (2009: 5 HK cents per share)	7,587	7,656
Final dividend proposed – 5 HK cents per share (2009: 5 HK cents per share)	7,587	7,613
Special dividend proposed – Nil (2009: 5 HK cents per share)	<u>–</u>	<u>7,613</u>
	<u>15,174</u>	<u>22,882</u>

16. Earnings per share

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK\$165,348,000 (2009: HK\$319,739,000) and the weighted average of 152,063,332 shares (2009: 153,520,406 shares) of HK\$1 each in issue during the year.

Diluted earnings per share is same as basic earnings per share because there were no potential dilutive shares outstanding during the years 2009 and 2010.

Notes to the Financial Statements (Cont'd)

17. Property, plant and equipment

Group

	Leasehold land in Hong Kong – long lease <u>HK\$'000</u> (Restated)	Leasehold buildings in Hong Kong – long lease <u>HK\$'000</u>	Equipment and motor vehicles <u>HK\$'000</u>	Total <u>HK\$'000</u> (Restated)
Cost				
At 1.1.2009	13,884	2,900	1,641	18,425
Additions	–	–	1	1
Disposals	–	–	(2)	(2)
	<u>13,884</u>	<u>2,900</u>	<u>1,640</u>	<u>18,424</u>
At 31.12.2009	13,884	2,900	1,640	18,424
Additions	–	–	46	46
Disposals	–	–	(21)	(21)
	<u>13,884</u>	<u>2,900</u>	<u>1,665</u>	<u>18,449</u>
At 31.12.2010	<u>13,884</u>	<u>2,900</u>	<u>1,665</u>	<u>18,449</u>
Accumulated amortisation and depreciation				
At 1.1.2009	114	406	1,284	1,804
Provision	16	58	86	160
Write back	–	–	(1)	(1)
	<u>130</u>	<u>464</u>	<u>1,369</u>	<u>1,963</u>
At 31.12.2009	130	464	1,369	1,963
Provision	17	58	91	166
Write back	–	–	(21)	(21)
	<u>147</u>	<u>522</u>	<u>1,439</u>	<u>2,108</u>
At 31.12.2010	<u>147</u>	<u>522</u>	<u>1,439</u>	<u>2,108</u>
Net book amount				
At 31.12.2010	<u>13,737</u>	<u>2,378</u>	<u>226</u>	<u>16,341</u>
At 31.12.2009	<u>13,754</u>	<u>2,436</u>	<u>271</u>	<u>16,461</u>
At 1.1.2009	<u>13,770</u>	<u>2,494</u>	<u>357</u>	<u>16,621</u>

Notes to the Financial Statements (Cont'd)

18. Subsidiaries

	<u>Company</u>	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	20,700	20,700
Less: Impairment losses	<u>(16,042)</u>	<u>(16,042)</u>
	<u>4,658</u>	<u>4,658</u>

Details of the subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Places of incorporation/ operation	Percentage of equity interest held	
				by the Company	by the Group
HK 8 Limited	Investment holding	1 share of US\$1	Liberia	-	100
HK 12 Limited	Investment holding	1 share of US\$1	Liberia	-	100
HK 28 Limited	Sales and purchases of securities	1 share of US\$1	Liberia	-	100
HK 333 Limited	General investment	1 share of US\$1	Liberia	-	100
HK 888 Limited	Investment holding and sales and purchases of securities	1 share of US\$1	Liberia	-	100
Lee Hing Investment Company, Limited	Property investment, investment holding, and sales and purchases of securities	2,000 ordinary shares of HK\$1,000 each	Hong Kong	100	-
Wang Tak Company Limited	Sales and purchases of securities	1,000 ordinary shares of HK\$1,000 each	Hong Kong	100	-

Notes to the Financial Statements (Cont'd)

19. Associates

	<u>Group</u>	
	2010 HK\$'000	2009 HK\$'000
Unlisted investments		
Share of net assets	20,669	20,770
Less: Impairment losses	<u>(17,030)</u>	<u>(17,030)</u>
	<u>3,639</u>	<u>3,740</u>
	<u>Company</u>	
	2010 HK\$'000	2009 HK\$'000
Unlisted investments		
Shares, at cost	156	156
Less: Impairment losses	<u>(156)</u>	<u>(156)</u>
	<u>-</u>	<u>-</u>

Summarised financial information in respect of the Group's associates is set out below:

	2010 HK\$'000	2009 HK\$'000
Total assets	11,971	12,251
Total liabilities	(1,525)	(1,511)
Revenue	25	22
Loss for the year	(294)	(23)

Details of the associates are as follows:

Unlisted companies	Principal activities	Places of incorporation	Issued and paid up ordinary share capital/registered capital	Percentage of equity interest held	
				by the Company	by the Group
Double Golden Sdn. Bhd.*	Dormant	Malaysia	RM2	-	50
Key Finance Limited*	Investment holding	British Virgin Islands	81,591,755 'A' shares of HK\$0.01 each and 81,591,755 'B' shares of HK\$0.01 each	-	-
Parkway M & A Capital Corporation*	Investment holding	British Virgin Islands	4,500,000 shares of US\$1 each	-	39
Phil Inc.*	Dormant	U.S.A.	100,000 common shares of US\$1 each	20	20
Start Hold Limited*	Investment holding	Hong Kong	6 ordinary shares of HK\$1 each	-	33

* Companies not audited by H. C. Watt & Company Limited.

Notes to the Financial Statements (Cont'd)

20. Available-for-sale investments

	<u>Group</u>	
	2010	2009
	HK\$'000	HK\$'000
Listed unit trust, at market value		
Overseas	-----	-----
	-	85,553
Listed equity securities, at market value		
Overseas	-----	-----
	277,328	351,519
Unlisted equity securities		
At cost	57,644	57,644
Less: Impairment losses	-----	-----
	(49,228)	(49,067)
	-----	-----
	8,416	8,577
	-----	-----
	285,744	445,649
	=====	=====

Details of the significant available-for-sale investments are as follows:

<u>Listed company</u>	<u>Place of incorporation</u>	<u>Class of shares</u>	<u>Equity interest held</u>
Gold IS Berhad	Malaysia	Ordinary shares of RM1 each	10.00% (2009: 8.27%)

The unlisted equity securities do not have quoted market prices in an active market and other methods of reasonably estimating fair value are clearly unworkable as the variability in the range of various reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. They are therefore stated at cost less accumulated impairment losses. The Group has no intention of disposing of these investments.

Notes to the Financial Statements (Cont'd)

21. Other non-current assets

	<u>Group</u>		<u>Company</u>	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Amount due from a subsidiary	–	–	2,009,025	1,904,802
Less: Provision for impairment losses	<u>–</u>	<u>–</u>	<u>(391,560)</u>	<u>(431,300)</u>
	–	–	1,617,465	1,473,502
Amounts due from associates	4,893	4,893	2,044	2,044
Less: Provision for impairment losses	<u>(2,635)</u>	<u>(2,603)</u>	<u>(2,044)</u>	<u>(2,044)</u>
	<u>2,258</u>	<u>2,290</u>	–	–
	<u>2,258</u>	<u>2,290</u>	<u>1,617,465</u>	<u>1,473,502</u>

Group

Associates

HK\$'000

Movements in provision for impairment losses are as follows:

At 1.1.2009 and 31.12.2009	2,603
Provision	<u>32</u>
At 31.12.2010	<u>2,635</u>

Company

Subsidiary

HK\$'000

Movements in provision for impairment losses are as follows:

At 1.1.2009	972,210
Write back	<u>(540,910)</u>
At 31.12.2009	431,300
Write back	<u>(39,740)</u>
At 31.12.2010	<u>391,560</u>

Amount due from a subsidiary and amounts due from associates are unsecured, non-interest bearing with no fixed term of repayment and not past due.

Notes to the Financial Statements (Cont'd)

22. Held for trading investments

	<u>Group</u>	
	2010	2009
	HK\$'000	HK\$'000
Listed unit fund/trust, at market value		
Overseas	120,813	39,402
Unlisted unit fund, at fair value	42,921	–
Listed equity securities, at market value		
Overseas	–	2,561
Hong Kong	104,707	140,074
	<u>268,441</u>	<u>182,037</u>

Details of the significant held for trading investments are as follows:

Listed unit fund represents investment in The Prime London Capital Fund, a fund listed in Channel Islands, amounting to HK\$120,813,000 (2009: nil).

<u>Listed company</u>	<u>Place of incorporation</u>	<u>Class of shares</u>	<u>Equity interest held</u>
PetroChina Company Limited	The People's Republic of China	"H" shares of RMB1 each	0.05% (2009: 0.05%)

23. Financial assets at fair value through profit or loss

	<u>Group</u>	
	2010	2009
	HK\$'000	HK\$'000
Unlisted investments, at fair value		
Debt securities	485,718	–
Others	24,061	–
	<u>509,779</u>	<u>–</u>

Debt securities represent Notes issued by Bank Negara Malaysia.

24. Derivative financial instruments

	<u>Group</u>	
	2010	2009
	HK\$'000	HK\$'000
Current assets		
Stock options	–	20
Current liabilities		
Stock options	10,782	6,598

Stock options are listed investments and stated at market value.

Notes to the Financial Statements (Cont'd)

25. Other assets

	<u>Group</u>	
	2010 HK\$'000	2009 HK\$'000
Club debenture	<u>295</u>	<u>295</u>

26. Accounts receivable, deposits and prepayments

The Group maintains a defined credit policy on its trade receivable.

	<u>Group</u>		<u>Company</u>	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade receivable				
Within 30 days	485	9,150	-	-
31-60 days	335	3	-	-
Over 60 days	372	1	-	-
Other receivable and deposits	16,114	7,192	-	-
Prepayments	<u>145</u>	<u>145</u>	<u>145</u>	<u>145</u>
	<u>17,451</u>	<u>16,491</u>	<u>145</u>	<u>145</u>

27. Bank borrowings

	<u>Group</u>	
	2010 HK\$'000	2009 HK\$'000
Secured bank loan	<u>-</u>	<u>95,559</u>

28. Accounts payable, deposits and accruals

	<u>Group</u>		<u>Company</u>	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade payable	-	-	-	-
Accounts payable, deposits and accruals	<u>23,808</u>	<u>11,085</u>	<u>1,762</u>	<u>2,383</u>
	<u>23,808</u>	<u>11,085</u>	<u>1,762</u>	<u>2,383</u>

Notes to the Financial Statements (Cont'd)

29. Other payable

	<u>Group</u>	
	2010	2009
	HK\$'000	HK\$'000
Amounts due to investee companies	<u>348</u>	<u>963</u>

Amounts due to investee companies are unsecured, non-interest bearing and with no fixed term of repayment.

30. Share capital

	2010	2009
	HK\$'000	HK\$'000
Authorised		
Ordinary shares of HK\$1 each	<u>410,000</u>	<u>410,000</u>
Issued and fully paid		
Ordinary shares of HK\$1 each		
Balance at beginning of year	153,122	154,024
Repurchase of shares	<u>(1,376)</u>	<u>(902)</u>
Balance at end of year	<u>151,746</u>	<u>153,122</u>

Repurchase of shares

During the year, the Company repurchased 1,376,000 of its own shares on The Stock Exchange of Hong Kong Limited. The particulars of repurchases are as follows:

Months of repurchases	Number of shares	Price per share paid Highest/Lowest HK\$	Aggregate price paid HK\$'000
<u>2010</u>			
January	864,000	3.51	3,033
May	78,000	5.00	390
June	4,000	5.00	20
August	<u>430,000</u>	4.96/4.94	<u>2,128</u>
	<u>1,376,000</u>		<u>5,571</u>

Notes to the Financial Statements (Cont'd)

30. Share capital (Cont'd)

The above-mentioned shares were cancelled upon repurchases and, accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. The premium and brokerage expenses paid on repurchases were charged against retained profit and an amount equivalent to the nominal value of the shares cancelled was transferred from retained profit to the capital redemption reserve account as shown in note 31 to the financial statements. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

31. Reserves

Group

	2010 HK\$'000	2009 HK\$'000
Capital redemption reserve	196,471	195,095
Share premium	316,006	316,006
Capital reserve	53,585	53,585
Investment revaluation reserve	114,272	76,996
Retained profit	<u>878,062</u>	<u>732,342</u>
	<u>1,558,396</u>	<u>1,374,024</u>

The movements of the Group's reserves for the years ended 31 December 2010 and 31 December 2009 are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

The application of share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policy of available-for-sale investments as set out in note 4(g) to the financial statements.

Notes to the Financial Statements (Cont'd)

31. Reserves (Cont'd)

Company

	Capital redemption reserve	Share premium	Capital reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2009	194,193	316,006	53,585	110,257	674,041
Profit for the year	–	–	–	658,525	658,525
Dividends	–	–	–	(22,882)	(22,882)
Unclaimed dividend forfeited	–	–	–	111	111
Premium and brokerage expenses paid on share repurchases	–	–	–	(1,823)	(1,823)
Transfer to capital redemption reserve upon share repurchases	902	–	–	(902)	–
At 31.12.2009	195,095	316,006	53,585	743,286	1,307,972
Profit for the year	–	–	–	171,930	171,930
Dividends	–	–	–	(15,174)	(15,174)
Unclaimed dividend forfeited	–	–	–	1,132	1,132
Premium and brokerage expenses paid on share repurchases	–	–	–	(4,210)	(4,210)
Transfer to capital redemption reserve upon share repurchases	1,376	–	–	(1,376)	–
At 31.12.2010	196,471	316,006	53,585	895,588	1,461,650

At 31 December 2010, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$903,175,000 (2009: HK\$758,512,000), without taking into account of proposed final dividend for the year.

Notes to the Financial Statements (Cont'd)

32. Notes to consolidated statement of cash flows

Reconciliation of profit before tax to net cash (used in)/generated from operating activities is set out below:

	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities		
Profit before tax	166,153	322,655
Adjustments for:		
Depreciation	149	144
Amortisation of leasehold land	17	16
Share of results of associates	101	12
Net gain on disposals of available-for-sale listed investments	(27,722)	(169,727)
Unrealised gain on derivative financial instruments	(4,178)	(2,847)
Unrealised gain on held for trading investments	(14,613)	(71,237)
Unrealised gain on financial assets at fair value through profit or loss	(31,073)	–
Loss on disposals of property, plant and equipment	–	1
Impairment losses on available-for-sale investments	161	1,900
Provision for impairment losses on advances to associate	32	–
Exchange gain	(5,548)	(24,787)
Finance costs	40	2,759
Interest income	(14,971)	(6,158)
Dividend income	(10,220)	(28,598)
	<hr/>	<hr/>
Operating profit before working capital changes	58,328	24,133
(Increase)/decrease in held for trading investments	(71,320)	41,081
Increase in financial assets at fair value through profit or loss	(478,706)	–
Increase in accounts receivable, deposits and prepayments	(5,461)	(10,393)
Increase in accounts payable, deposits and accruals	12,208	5,132
Increase in derivative financial instruments	8,382	9,425
Increase in amounts due to investee companies	–	615
	<hr/>	<hr/>
Cash (used in)/generated from operations	(476,569)	69,993
Dividends received	9,699	29,515
Interest received	13,928	6,111
Finance costs paid	(43)	(2,834)
Overseas tax paid	(805)	(2,916)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	<u>(453,790)</u>	<u>99,869</u>

Notes to the Financial Statements (Cont'd)

33. Pledge of assets

The Group pledged its leasehold land and buildings, certain available-for-sale investments, held for trading investments, financial assets at fair value through profit or loss and bank deposits with a total net book value of HK\$1,274,000,000 (2009: HK\$1,407,000,000) as security for banking facilities extended to the Group in the sum of HK\$722,000,000 (2009: HK\$722,000,000).

34. Financial risk management and fair values

Exposure to credit, currency, price, interest rate and liquidity risks arises in the normal course of the Group's business. These risks are limited by the Group's financial policies and practices described below:

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, and amounts due from associates, debt securities, and accounts receivable and deposits as mentioned in notes 21, 23 and 26 to the financial statements respectively. The Company's credit risk is primarily attributable to bank deposits, and amount due from a subsidiary and the amount of guarantee as mentioned in notes 21 and 38 to the financial statements respectively. The carrying amounts of financial assets and the amount of guarantee as mentioned in note 38 to the financial statements represent the amounts of maximum exposure to credit risk. Except for those that are impaired, the management is satisfied with credit quality of financial assets. The Group has significant concentrations of credit risk on debt securities of HK\$485,718,000 (2009: nil) and bank deposits of HK\$470,493,000 (2009: HK\$922,924,000). The credit risk is limited because the banks are authorised financial institutions with high credit ratings. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(b) Currency risk

The Group is exposed to currency risk on the following financial instruments denominated in Malaysian Ringgit, British Pound and Singapore dollars. The management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner.

	2010 HK\$'000	2009 HK\$'000
Available-for-sale investments	277,328	437,072
Held for trading investments	120,813	6,252
Financial assets at fair value through profit or loss	509,779	–
Accounts receivable and deposits	941	5,133
Time deposits and bank balances	84,650	908,815
Bank borrowings	–	(95,559)
	<u>993,511</u>	<u>1,261,713</u>

At 31 December 2010, if the foreign currencies had strengthened/weakened 10% against Hong Kong dollars with all other variables held constant, the potential effects on profit after tax and components of equity are as follows:

Notes to the Financial Statements (Cont'd)

34. Financial risk management and fair values (Cont'd)

(b) Currency risk (Cont'd)

	2010 HK\$'000	2009 HK\$'000
Increase/decrease in profit after tax and retained profit	<u>71,618</u>	<u>82,464</u>
Increase/decrease in investment revaluation reserve	<u>27,733</u>	<u>43,707</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in exchange rates over the period until the end of next annual reporting period.

The Group is also exposed to currency risk on the following financial instruments denominated in United States dollars ("USD"). As USD are pegged to Hong Kong dollars ("HKD"), the Directors do not expect any significant movements in USD/HKD exchange rate.

	2010 HK\$'000	2009 HK\$'000
Held for trading investments	42,921	35,711
Time deposits and bank balances	3,297	4,614
Accounts receivable and deposits	<u>8</u>	<u>-</u>
	<u>46,226</u>	<u>40,325</u>

(c) Price risk

The following financial instruments are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

	2010 HK\$'000	2009 HK\$'000
Available-for-sale investments	277,328	437,072
Held for trading investments	268,441	182,037
Financial assets at fair value through profit or loss	509,779	-
Derivative financial instruments	<u>(10,782)</u>	<u>(6,578)</u>
	<u>1,044,766</u>	<u>612,531</u>

At 31 December 2010, if the security price had increased/decreased 10% with all other variables held constant, the potential effects on profit after tax and components of equity are as follows:

Notes to the Financial Statements (Cont'd)

34. Financial risk management and fair values (Cont'd)

(c) Price risk (Cont'd)

	2010 HK\$'000	2009 HK\$'000
Increase/decrease in profit after tax and retained profit	<u>76,744</u>	<u>17,546</u>
Increase/decrease in investment revaluation reserve	<u>27,733</u>	<u>43,707</u>

The 10% increase/decrease represents management's assessment of the likely maximum change in security price over the period until the end of next annual reporting period.

(d) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets. The Group's policy is to obtain the most favourable interest rates available for its financial assets. The following financial assets are exposed to interest rate risk.

	2010 HK\$'000	2009 HK\$'000
Time deposits and bank balances	639,980	948,287
Debt securities	<u>485,718</u>	<u>—</u>
	<u>1,125,698</u>	<u>948,287</u>

At 31 December 2010, if the interest rate had increased/decreased by 25 basis points with all other variables held constant, the potential effects on profit after tax and components of equity are as follows:

	2010 HK\$'000	2009 HK\$'000
Increase/decrease in profit after tax and retained profit	<u>1,600</u>	<u>2,371</u>

The 25 basis points increase/decrease represent management's assessment of the likely maximum change in interest rates over the period until the end of next annual reporting period.

Notes to the Financial Statements (Cont'd)

34. Financial risk management and fair values (Cont'd)

(e) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements. The Group does not have any significant exposure to liquidity risk as the Group is in net current asset position. Maturities of the financial liabilities of the Group are as follows:

	2010 HK\$'000	2009 HK\$'000
Carrying amounts and contractual undiscounted cash flows		
Non-derivative financial liabilities		
Bank borrowings	–	95,559
Accounts payable, deposits and accruals	23,808	11,085
Other payable	348	963
Derivative financial liabilities		
Derivative financial instruments	10,782	6,598
	<u>34,938</u>	<u>114,205</u>
Due for payment within one year	<u>34,938</u>	<u>114,205</u>

Maturities of the financial liabilities of the Company are as follows:

	2010 HK\$'000	2009 HK\$'000
Carrying amounts and contractual undiscounted cash flows		
Non-derivative financial liabilities		
Accounts payable, deposits and accruals	1,762	2,383
	<u>1,762</u>	<u>2,383</u>
Due for payment within one year	<u>1,762</u>	<u>2,383</u>

Notes to the Financial Statements (Cont'd)

34. Financial risk management and fair values (Cont'd)

(f) Fair values

The Directors have considered that the carrying amounts of all financial assets and liabilities, other than those described in note 20 to the financial statements, approximate their fair values at 31 December 2010 and 31 December 2009.

The following table sets out the carrying value of financial instruments measured at fair value at 31 December 2010 and 31 December 2009 using the three-level hierarchy as defined in HKFRS 7.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK'\$000	Level 2 HK'\$000	Level 3 HK'\$000	Total HK'\$000
<u>2010</u>				
Assets				
Available-for-sale investments	277,328	–	–	277,328
Held for trading investments	225,520	42,921	–	268,441
Financial assets at fair value through profit or loss	<u>–</u>	<u>509,779</u>	<u>–</u>	<u>509,779</u>
	<u>502,848</u>	<u>552,700</u>	<u>–</u>	<u>1,055,548</u>
Liabilities				
Derivative financial instruments	<u>10,782</u>	<u>–</u>	<u>–</u>	<u>10,782</u>
<u>2009</u>				
Assets				
Available-for-sale investments	437,072	–	–	437,072
Held for trading investments	182,037	–	–	182,037
Derivative financial instruments	<u>20</u>	<u>–</u>	<u>–</u>	<u>20</u>
	<u>619,129</u>	<u>–</u>	<u>–</u>	<u>619,129</u>
Liabilities				
Derivative financial instruments	<u>6,598</u>	<u>–</u>	<u>–</u>	<u>6,598</u>

Notes to the Financial Statements (Cont'd)

35. Capital management

The Group's objectives when managing capital are:

- (a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (b) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. During the year, the Group's strategy was unchanged. The debt-to-equity ratios for the years 2010 and 2009 are as follow:

	2010 HK\$'000	2009 HK\$'000
Current liabilities	<u>34,938</u>	<u>114,205</u>
Total debt	<u>34,938</u>	<u>114,205</u>
Total equity	<u>1,717,729</u>	<u>1,542,372</u>
Debt-to-equity ratio	<u>0.020</u>	<u>0.074</u>

The decrease is due to decrease in debt and increase in equity.

Notes to the Financial Statements (Cont'd)

36. Related party transactions

Details of material related party transactions are as follows:

- (a) Directors' remuneration is disclosed in note 9 to the financial statements.
- (b) Amounts due from associates are disclosed in note 21 to the financial statements.

37. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees' relevant income on a monthly basis. The amount of contributions charged to the income statement for the year was HK\$576,000 (2009: HK\$593,000).

38. Contingent liabilities

	<u>Group</u>		<u>Company</u>	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Guarantees for credit facilities granted to subsidiaries	—	—	722,000	722,000
	<u>—</u>	<u>—</u>	<u>722,000</u>	<u>722,000</u>

39. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 8 March 2011.

Five Year Financial Summary

	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover					
Continuing operations	525,020	1,002,238	180,413	76,562	124,716
Discontinued operation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,071</u>
	<u>525,020</u>	<u>1,002,238</u>	<u>180,413</u>	<u>76,562</u>	<u>126,787</u>
Profit for the year					
Continuing operations	165,348	319,739	235,161	161,640	43,536
Discontinued operation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,210</u>
	<u>165,348</u>	<u>319,739</u>	<u>235,161</u>	<u>161,640</u>	<u>47,746</u>
Attributable to:					
Owners of the Company	165,348	319,739	235,161	154,017	54,029
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,623</u>	<u>(6,283)</u>
	<u>165,348</u>	<u>319,739</u>	<u>235,161</u>	<u>161,640</u>	<u>47,746</u>
Dividends	<u>15,174</u>	<u>22,882</u>	<u>15,326</u>	<u>10,065</u>	<u>4,267</u>
Non-current assets	307,982	468,140	715,095	483,800	979,612
Current assets	<u>1,444,685</u>	<u>1,188,437</u>	<u>410,572</u>	<u>809,744</u>	<u>404,540</u>
Total assets	1,752,667	1,656,577	1,125,667	1,293,544	1,384,152
Current liabilities	<u>34,938</u>	<u>114,205</u>	<u>289,215</u>	<u>4,553</u>	<u>177,515</u>
Net assets	<u>1,717,729</u>	<u>1,542,372</u>	<u>836,452</u>	<u>1,288,991</u>	<u>1,206,637</u>

Five Year Financial Summary (Cont'd)

	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Equity					
Share capital	151,746	153,122	154,024	158,647	213,336
Reserves	1,558,396	1,374,024	674,727	963,257	950,481
Proposed dividends	<u>7,587</u>	<u>15,226</u>	<u>7,701</u>	<u>7,932</u>	<u>2,134</u>
	1,717,729	1,542,372	836,452	1,129,836	1,165,951
Amounts recognised directly in equity relating to assets classified as held for sale	<u>—</u>	<u>—</u>	<u>—</u>	<u>109,622</u>	<u>—</u>
Equity attributable to owners of the Company	1,717,729	1,542,372	836,452	1,239,458	1,165,951
Non-controlling interests	—	—	—	—	40,686
Non-controlling interests relating to assets classified as held for sale	<u>—</u>	<u>—</u>	<u>—</u>	<u>49,533</u>	<u>—</u>
Total equity	<u>1,717,729</u>	<u>1,542,372</u>	<u>836,452</u>	<u>1,288,991</u>	<u>1,206,637</u>
Earnings per share (HK cents)					
From continuing and discontinued operations	<u>108.74</u>	<u>208.27</u>	<u>150.68</u>	<u>74.07</u>	<u>25.32</u>
From continuing operations	<u>108.74</u>	<u>208.27</u>	<u>150.68</u>	<u>74.07</u>	<u>23.35</u>
Dividends per share (HK cents)	<u>10.00</u>	<u>15.00</u>	<u>10.00</u>	<u>6.00</u>	<u>2.00</u>