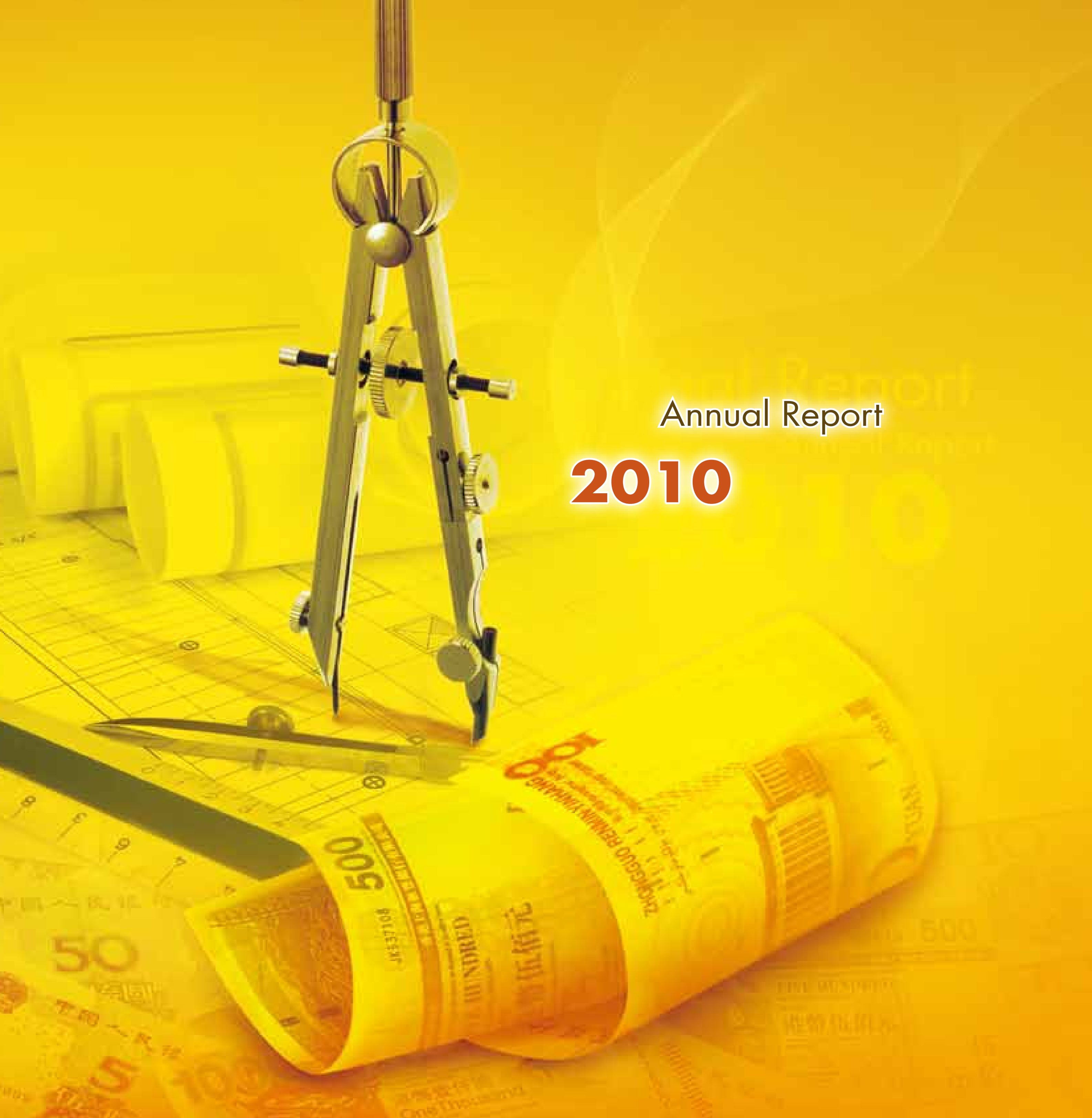
National Investments

NATIONAL INVESTMENTS FUND LIMITED

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)



Annual Report

2010

Contents

Corporation Information

DIRECTORS

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen
Mr. Liu Jin
Mr. Lui Tin Nang (Appointed on 13 April 2010)
Mr. Fung Kwok Leung (Resigned on 13 April 2010)
Mr. Wong Sin Lai (formerly named as Mr. Wong Tam Yee) (Appointed on 3 January 2011)

AUDIT COMMITTEE

Mr. Lui Tin Nang *(Chairman)* (Appointed on 13 April 2010)
Mr. Fung Kwok Leung (Resigned on 13 April 2010)
Mr. Char Shik Ngor, Stephen
Mr. Liu Jin

REMUNERATION COMMITTEE

Mr. Liu Jin *(Chairman)*
Ms. Yang XiaoFeng
Mr. Lui Tin Nang (Appointed on 13 April 2010)
Mr. Fung Kwok Leung (Resigned on 13 April 2010)

COMPANY SECRETARY

Ms. Shum Ching Yee, Jennifer

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Wing Hang Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Suite 5128, 51st Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

Beijing Capital Partners Limited
Suite 5128, 51st Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

CUSTODIAN

Bank of Communications Trustee Limited
1st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

WEBSITE

www.nif-hk.com

Chairman's Statement and Management Discussion and Analysis

On behalf of the board of directors (the "Board") of National Investments Fund Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiary (collectively referred as the "Group") for the year ended 31 December 2010.

The Company is an investment company and the Group is principally engaged in investments in a diversified portfolio of listed and unlisted companies.

BUSINESS REVIEW

For the year ended 31 December 2010, the Group's revenue, excluding the net profit (2009: loss) on financial assets at fair value through profit and loss, increased by 177% to HK$1,468,000 (2009: HK$530,000) and recorded a net profit on financial assets at fair value through profit or loss amounting to HK$67,131,000 (2009: net loss on financial assets at fair value through profit or loss amounting to HK$12,979,000). Included in the net profit (2009: loss) on financial assets at fair value through profit or loss, gross proceeds from sales were HK$88,727,000 (2009: HK$20,011,000), and the cost of sales were HK$101,698,000 (2009: HK$21,960,000), therefore, the net realised loss was HK$12,971,000 (2009: HK$1,949,000). Apart from the realised loss, the unrealised profit on financial assets at fair value through profit or loss for the year ended 31 December 2010 amounted to HK$80,102,000 (2009: unrealised loss on financial assets at fair value through profit or loss amounted to HK$11,030,000).

For the year under review, the Group reported a profit attributable to shareholders of HK$40,760,000 (2009: loss attributable to shareholders of HK$33,034,000). The profit was mainly due to the net profit on financial assets at fair value through profit or loss of HK$67,131,000 (2009: loss was mainly due to the net loss on financial assets at fair value through profit or loss of HK$12,979,000), staff costs of HK$4,699,000 (2009: HK$3,321,000) and directors' emoluments of HK$2,269,000 (2009: HK$2,034,000), no equity-settled share-based payments were incurred and included (2009: HK$645,000) for the year ended 31 December 2010.

During the year ended 31 December 2010, the Group received dividend income amounting to HK$643,000 (2009: HK$15,000).

PROSPECT

The Group had recorded a turnaround to profit and a substantial growth in year 2010 as a result of improvement of the investment results. On the one hand, the Group will continue to adopt and maintain a prudent but proactive investment approach and will keep closely on monitoring the performance of the investment portfolios and is confident that the investment portfolios will deliver results and add value to the shareholders of the Company. On the other hand, the Group will continue to focus on its principal activities and strengthen its financial position to capture the maximum benefits from investments to achieve further growth for the Company and to maximize the shareholders' value.

DIVIDEND

The Board of Directors (the "Board") of the Company did not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$27,991,000 (2009: approximately HK$29,365,000) as at 31 December 2010.

The Group had net current assets of approximately HK$261,398,000 (2009: HK$95,928,000) as at 31 December 2010. The Group had not obtained any credit facilities from financial institutions during the year. All the cash and cash equivalents were placed in Hong Kong Dollars accounts with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2010, was 0.006 (2009: 0.004).

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2010, the changes of the capital structure of the Company were set out below:

(i) On 22 April 2010, 649,122,807 ordinary shares were issued at HK$0.057 per share as the convertible noteholders exercised conversion rights to convert the convertible notes into the Company's ordinary shares.

(ii) On 16 August 2010, 788,824,000 ordinary shares were issued at HK$0.041 per share as a result of placing under General Mandate.

(iii) On 14 September 2010, share consolidation became effective, of which, every five (5) issued and unissued shares of HK$0.01 each in the capital of the Company were consolidated into one (1) consolidated share of HK$0.05 each, i.e. 4,732,946,807 shares of HK$0.01 each were consolidated into 946,589,361 consolidated shares of HK$0.05 each.

(iv) On 1 November 2010, 41,236,626 ordinary shares were allotted and issued as the convertible note warrant ("CN Warrant") holders exercised the subscription rights attaching to the CN Warrants into the Company's ordinary shares at HK$0.25 per share.

(v) On 8 November 2010 and 9 November 2010, a total of 189,317,872 ordinary shares were issued at HK$0.43 per share as a result of placing under refreshment of general mandate.

(vi) On 10 November 2010 and 10 December 2010, 6,807,017 ordinary shares and 1,600,000 ordinary shares were allotted and issued respectively as the CN Warrant holders exercised the subscription rights attaching to the CN Warrants into the Company's ordinary shares at HK$0.25 per share.

EMPLOYEES

As at 31 December 2010, the Group had 18 employees (2009: 13), including executive directors, non-executive director and independent non-executive directors. Total staff costs for the year ended 31 December 2010 amounted to HK$6,968,000 (2009: HK$5,355,000, including equity-settled share-based payment expense of HK$645,000 recognised). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 31 December 2010 (2009: Nil).

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to our staff members for their dedicated effort.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 18 March 2011

CORPORATE GOVERNANCE PRACTICES

The Board of National Investments Fund Limited (the "Company") has been committed to maintaining the high level of corporate governance in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interests and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole.

The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

During the year ended 31 December 2010 under review, the Company has applied the Principles and the Code Provisions as set out in the Code and complied with most of the Code Provisions save for a deviation from the Code Provisions in respect of Code Provision E.1.2, details of which will be explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company's business, and ensuring transparency and accountability of Company's operations.

Code Provision E.1.2

According to Code Provision E.1.2, the Chairman of the Board, should attend the annual general meeting. In respect of the annual general meeting held on 25 June 2010, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

THE BOARD OF DIRECTORS

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Delegation by the Board

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises eight members, consisting of three executive directors, one non-executive director and four independent non-executive directors.

During the year ended 31 December 2010 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director:

Ms. Yang XiaoFeng

Independent Non-executive Directors:

Mr. Char Shik Ngor, Stephen	
Mr. Liu Jin	
Mr. Lui Tin Nang	(Appointed on 13 April 2010)
Mr. Fung Kwok Leung	(Resigned on 13 April 2010)
Mr. Wong Sin Lai (formerly named as Mr. Wong Tam Yee)	(Appointed on 3 January 2011)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

All the non-executive directors of the Company are appointed for a term up to the forthcoming annual general meeting subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. All directors are subject to retirement from office by rotation and re-election at the Company's annual general meeting at least once every three years.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all our independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at meetings of the Board and Committees during the year ended 31 December 2010:

Name of directors	Board Meeting	Attendance Rate	Audit Committee	Remuneration Committee
Executive Directors				
Mr. Wong Danny F.	19/20	95%	N/A	N/A
Mr. Wu Tse Wai, Frederick	20/20	100%	N/A	N/A
Mr. Fong Chi Wah	17/20	85%	N/A	N/A
Non-executive Director				
Ms. Yang XiaoFeng	3/20	15%	N/A	1/1
Independent Non-executive Directors				
Mr. Char Shik Ngor, Stephen	4/20	20%	2/2	N/A
Mr. Liu Jin	3/20	15%	1/2	1/1
Mr. Fung Kwok Leung (Resigned on 13 April 2010)	0/1	0%	0	0
Mr. Lui Tin Nang (Appointed on 13 April 2010)	4/19	21%	2/2	1/1

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") of the Company currently comprises two independent non-executive directors, Mr. Liu Jin and Mr. Lui Tin Nang, and the non-executive director, Ms. Yang XiaoFeng. Mr. Liu Jin also serves as the chairman of the Committee. One meetings were held during the year ended 31 December 2010 and all members of the Committee had attended the meeting.

The major roles and functions of the Committee as per the terms of reference are as follows:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;

- to review and recommend the remuneration packages of all executive directors for approval by the Board; and

- to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of director.

The Committee has right to access professional advice relating to remuneration proposal if considered necessary.

The principle elements of the Company's remuneration policy for directors and senior management are:

(1) To ensure that no director or any of his associates is involved in deciding his own remuneration.

(2) Remuneration packages should be on a par with companies with whom the Company competes for human resources.

(3) Remuneration packages should reflect the performance and responsibility of an individual, as well as the complexity of work.

(4) Remuneration packages should be structured in such a way that can provide incentives to directors and senior management to improve their individual performance.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a director and approving and terminating the appointment of a director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his or her qualifications, experiences and background.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all directors of the Company, they have confirmed that they have complied with the required standards set out in the Mode Code throughout the year under review.

AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng has been appointed by the shareholders annually as the Company's external auditors since 2003. During the year under review, the fees charged to the accounts of the Company and its subsidiaries for HLB Hodgson Impey Cheng's statutory audit amounted to approximately HK$150,000.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Liu Jin, Mr. Char Shik Ngor, Stephen and Mr. Lui Tin Nang. Mr. Lui Tin Nang was the chairman of the Audit Committee.

During the year ended 31 December 2010, two meetings of the Audit Committee were held to review the Company's interim report for the six months ended 30 June 2010 and the annual report for the year ended 31 December 2009. The principal duties of the Audit Committee include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing financial controls, internal controls, and risk management system; and
- reviewing the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal controls and risk management of the Company and to review its effectiveness. During the year, the Board had reviewed the internal control process and ensured that it had been properly carried out in making investment or divestment decision with the Investment Manager; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

During the year, the Company was exposed to market risk for its available-for-sale financial assets, including the embedded derivative, as the Company may not be able to liquidate such investments in time to meet its cashflow requirements. In response to this situation, the Board has maintained a portfolio of listed securities and relatively strong cash position.

The portfolio of listed securities, classified as financial assets at fair value through profit and loss in the balance sheet, may be exposed to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 December 2010 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure that the publication of which will be in a timely manner.

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 the compliance with the provisions of the Code introduced by the Stock Exchange.

EXECUTIVE DIRECTORS

Mr. Wong Danny F., aged 48, holds a bachelor of Economies and Accounting degree from China Central University of Finance and Economies. Mr. Wong has years of experiences in project investment evaluation, listing planning, examination and approval as well as investing in Chinese B shares, H shares and red-chip shares. Mr. Wong has substantial experiences of high-tech companies listing. For the period from 16 June 2009 to 24 August 2009, Mr. Wong was the executive director of Poly Development Holdings Limited whose shares are listed on the Stock Exchange.

Mr. Wong is the spouse of Ms. Yang Xiao Feng who is a non-executive director of the Company.

Mr. Wu Tse Wai, Frederick, aged 69, was educated in Hong Kong and the United States with a Master of Business Administration degree in Finance. Mr. Wu has over 42 years of experience in insurance, securities business and asset management. He started his career with Paul Revere Life Insurance Company as an assistant actuary. He later worked for Fidelity Management and Research of Boston as an analyst and then moved on to senior positions in research and fund management with various well-known institutions in the United States. In the early 80s, Mr. Wu joined and was a senior portfolio manager and investment advisor of Bank of America in Hong Kong. In the 90s, Mr. Wu joined and was elected a director and senior consultant of Lippo Securities Group Limited (the "Lippo Securities Group"). He was a member of Lippo Securities Group investment committee and was responsible for supervising the fund management activities including futures related investments of Lippo Securities Group. Mr Wu is currently a responsible officer registered under the Securities and Futures Ordinance.

Mr. Fong Chi Wah, aged 48, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Management Accountants, Australia and a member of Hong Kong Institute of Directors. Mr. Fong has over 20 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr. Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr. Fong was also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr. Fong is currently the independent non-executive director of Syscan Technology Holdings Limited and Ruinian International Limited, both companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Ms. Yang XiaoFeng, aged 32, holds a bachelor in Computer Science degree from the Zhejiang Gongshang University (formerly known as Hangzhou University of Commerce). Ms. Yang has extensive experience in finance marketing. Ms. Yang was an independent non-executive director of Forefront International Holdings Limited (currently known as Forefront Group Limited), a company whose shares are listed on the Stock Exchange for the period from 18 April 2007 to 18 May 2007.

Ms. Yang is the spouse of Mr. Wong Danny F. who is the chairman and executive director of the Company.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Char Shik Ngor, Stephen, aged 61, holds a Bachelor of Law Degree (Honour) from University of London, a master degree of Social Sciences (Criminology) from the University of Hong Kong, a master degree of Social Sciences (Counselling) from the University of Hong Kong and a post-graduate certificate in Laws from City University of Hong Kong. Mr. Char was a chief investigator and senior assignment officer of the Independent Commission Against Corruption in Hong Kong from 1976 to 2004. Mr. Char was a chief executive officer of Garner Forest Industries Limited. Mr. Char is currently a Barrister at Law and an Accredited Mediator.

Mr. Liu Jin, aged 35, holds a bachelor in International Economic Law degree from the South Central University of Political Science and Law. Mr. Liu has been a qualified solicitor in the People's Republic of China (the "PRC") since 2001 and has various experience in merger and acquisition and corporate restructure in PRC. Mr. Liu is currently a qualified solicitor practicing in Shenzhen, PRC.

Mr. Lui Tin Nang, aged 53, has obtained a bachelor degree in science from the University of Leeds and a master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a fellow member of The Institute of Chartered Accountants in England & Wales and the FCPA (Practising) of the Hong Kong Institute of Certified Public Accountants, member of the Chartered Institute of Management Accountant. He has years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui was an independent non-executive director of China Pipe Group Limited for the period from 3 July 2007 to 23 February 2009. Mr. Lui was also appointed as an independent non-executive director of Finet Group Limited during 26 August 2010 to 30 September 2010. Currently, Mr. Lui is the independent non-executive director of China Bio-Med Regeneration Technology Limited, Vital Group Holdings Limited and CT Holdings (International) Limited, all the companies are listed on the Stock Exchange.

Mr. Wong Sin Lai (formerly named as Mr. Wong Tam Yee), aged 53, has been a professional financial advisor since 2001. He obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1982. From 1992 to 1997, he had worked as a financial controller and senior executive in various manufacturing companies (including a garments manufacturer, a food and beverage supplier and a leather products manufacturer) in Hong Kong after obtaining the qualification as a practising accountant. Prior to obtaining the professional qualification, he had worked in the audit department of Banque Nationale de Paris. Currently, he is the member of Australian Society of Certified Practising Accountants and associate member of Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial, strategic management and debt and equity financing for both listed companies and private enterprises. Mr. Wong was an independent non-executive director of Goldwiz Holdings Limited (stock code: 586, "Goldwiz") from 28 February 2006 to 15 June 2006 which was delisted from the Main Board of the Stock Exchange on 8 September 2008. Mr. Wong retired from being a director of Goldwiz pursuant to its bye-laws on 15 June 2006, the date on which its annual general meeting was held. He joined the Company on 3 January 2011 and he changed his name from Mr. Wong Tam Yee to Mr. Wong Sin Lai with effect from 22 February 2011.

The board of directors (the "Board") of National Investments Fund Limited (the "Company") is pleased to present to the shareholders the audited financial statements of the Company and its subsidiary (the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies.

The Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

Business or geographical analysis of the Group's assets and liabilities for the year is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The state of affairs of the Group and the Company at 31 December 2010 and the results of the Group for the year ended 31 December 2010 are set out in the financial statements on pages 19 to 21.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

RESERVES

Details of the movements in reserves of the Group during the year are set out in the financial statements on page 22.

As at 31 December 2010, the Company's available reserves for distribution to shareholders under the Companies Law of the Cayman Islands were HK$222,658,000 (2009: HK$37,242,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2010, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS

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

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen	
Mr. Liu Jin	
Mr. Lui Tin Nang	(Appointed on 13 April 2010)
Mr. Fung Kwok Leung	(Resigned on 13 April 2010)
Mr. Wong Sin Lai (formerly named as Mr. Wong Tam Yee)	(Appointed on 3 January 2011)

Pursuant to Articles 88 of the Company's Articles of Association, Mr. Wong Danny F., Mr. Char Shik Ngor, Stephen and Mr. Liu Jin will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Pursuant to Article 87 of the Company's Articles of Association. Mr. Wong Sin Lai (formerly named as Mr. Wong Tam Yee) shall hold office only until the forthcoming annual general meeting and shall then be eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Currently, all executive directors have entered into service contracts with the Company for a term of two years. Each of these executive directors, is entitled to their respective basic salary. In addition, in respect of each financial year of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors may not exceed 15% of the audited net profit of the Company (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive director is required to abstain from voting and is not counted in the quorum in respect of any resolutions of the directors regarding the amount of the monthly salary and the discretionary bonus payable to him.

In respect of non-executive directors, including independent non-executive directors, each of them has entered into a letter of appointment with the Company for a term up to the forthcoming annual general meeting and their appointments will be terminated by giving not less than 14 days' notice in writing by either party. All directors of the Company, including independent non-executive directors, are subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, no other director has entered into service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 31 to the financial statements. Apart from the foregoing, no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under "Interests in Share Options" below, at no time during the year was the Company a party to any arrangement to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the Securities and Futures Ordinance (the "SFO") or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 December 2010, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code"), are set out below:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of directors	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest in controlled corporation	Long Position	204,605,200 *(Note 1)*	17.26%
	Beneficial owner	Long Position	218,400 *(Note 2)*	0.02%
Mr. Wu Tse Wai, Frederick	Beneficial owner	Long Position	218,400 *(Note 2)*	0.02%
Mr. Fong Chi Wah	Beneficial owner	Long Position	218,400 *(Note 2)*	0.02%
Ms. Yang XiaoFeng	Beneficial owner	Long Position	218,400 *(Note 2)*	0.02%
Mr. Char Shik Ngor, Stephen	Beneficial owner	Long Position	218,400 *(Note 2)*	0.02%
Mr. Liu Jin	Beneficial owner	Long Position	218,400 *(Note 2)*	0.02%

Notes:

1. These 204,605,200 ordinary shares of the Company represent the aggregate of 179,805,200 ordinary shares and 24,800,000 CN warrants expiring on 13 July 2012, with an exercise price of HK$0.25 each for one ordinary share, are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.; and

2. These 218,400 shares are derived from the interest in 218,400 share options (after the Share Consolidation) granted by the Company to these directors respectively, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below.

Save as disclosed above, none of the directors, chief executive or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

A new Share Option Scheme was adopted by the Company on 27 August 2007 to enable the Company to grant Share Option to eligible participants, including the Directors and employees of the Company, as incentive or rewards for their contribution to the Company. No options were granted or agreed to be granted under the Share Option Scheme during the year ended 31 December 2010.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Company on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Company to motivate participants for their significant contributions to the growth of the Company and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Company, it is important for the Company to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Company's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other scheme must not in aggregate exceed ten per cent (10%) of the aggregate of the shares in issue as at the adoption date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty per cent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one per cent (1%) of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) A share option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Details of movement of the share options during the year ended 31 December 2010 under the Share Option Scheme are as follows:

	Number of share options									
Name or category of participants	**Outstanding at 1 January 2010**	**Granted during year**	**Exercised during year**	**Lapsed during year**	**Reclassified during year**	**Adjustment during the year** *(Note iii)*	**Outstanding at 31 December 2010**	**Exercise Price** *(HK$)* *(Note iii)*	**Date of grant**	**Exercisable period** *(Note i)*
Directors										
Mr. Wong Danny F.	1,092,000	–	–	–	–	(873,600)	218,400	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai Frederick	1,092,000	–	–	–	–	(873,600)	218,400	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	–	–	–	–	(873,600)	218,400	1.90	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang XiaoFeng	1,092,000	–	–	–	–	(873,600)	218,400	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	–	–	–	–	(873,600)	218,400	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fung Kwok Leung *(Note ii)*	1,092,000	–	–	–	(1,092,000)	–	–		–	–
Mr. Liu Jin	1,092,000	–	–	–	–	(873,600)	218,400	1.90	28 November 2007	28 November 2007 to 26 August 2017
	7,644,000	–	–	–	(1,092,000)	(5,241,600)	1,310,400			
Employees	5,460,000	–	–	(5,460,000)	–	–	–		–	–
Resigned director *(Note ii)*	1,092,000	–	–	–	1,092,000	(1,747,200)	436,800	1.90	28 November 2007	28 November 2007 to 26 August 2017
	14,196,000	–	–	(5,460,000)	–	(6,988,800)	1,747,200			

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

(ii) Mr. Fung Kwok Leung resigned as an independent non-executive director on 13 April 2010 and his outstanding share option of 1,092,000 before Share Consolidation, i.e. 218,400 Shares options after the Share Consolidation as at 31 December 2010 were placed under the category of resigned directors.

(iii) During the year ended 31 December 2010, every five existing issued and unissued shares of HK$0.01 each in a capital of Company was consolidated into one consolidated share of HK$0.05 each ("Share Consolidation"). Upon the Share Consolidation becoming effective on 14 September 2010, the number and exercise price of the outstanding Share Options have been adjusted. Details of the Share Consolidation and adjustments on Share Options were set out in the Company's circular dated 23 August 2010 and the Company's announcements dated 13 September 2010 and 14 September 2010.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2010, so far as is known to the directors, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
CCM Asia Investment Corporation *(Note 1)*	Beneficial owner	Long position	204,605,200	17.26%

Note 1: These 204,605,200 ordinary shares represent the aggregate of 179,805,200 ordinary shares and 24,800,000 CN warrants expiring on 13 July 2012, with an exercise price of HK$0.25 each for one ordinary share, and Mr. Wong Danny F., an executive director and the chairman of the Company is the sole shareholder of CCM Financial Corporation which in turn is the sole shareholder of CCM Asia Investment Corporation.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Company's entire turnover is derived from the Company's investment in equity securities listed or unlisted and thus the disclosure of information regarding to customers and suppliers would not be meaningful.

CONTINUING CONNECTED TRANSACTION

Investment Management Agreement

On 5 November 2009, the Company had appointed Beijing Capital Partners Limited (the "Beijing Capital") (its Chinese name changed from "京倫資本有限公司" to "北京資本有限公司" on 26 October 2010) as the Company's investment manager which provides the Company with investment management services for twelve months commencing on 15 November 2009. Pursuant to Rule 21.13 of the Listing Rules, an investment manager shall be regarded as a connected person of the Company. Therefore, the entering into of the investment management agreement with Beijing Capital constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. On 15 November 2010, the Company and Beijing Capital have renewed the investment management agreement for another term of one year commencing from 16 November 2010 to 15 November 2011 at a fixed service free in the amount of HK$400,000 per annum.

The Company may terminate the agreement without any cause and without compensation at any time during the term of the agreement by giving not less than a two-week notice in writing to Beijing Capital before the expiry of the term of the Agreement. In addition, each of the Company and Beijing Capital may terminate the investment management agreement with immediate effect upon the happening of certain events, including, (a) any of the parties going into liquidation or the appointment of a receiver over the assets or undertaking of any party; (b) any party commits a material breach of the investment management agreement. The Company may also terminate the investment management agreement with immediate effect at any time if (a) Beijing Capital is negligent or guilty of wilful misconduct in respect of its obligations under the investment management agreement; or (b) Beijing Capital ceases to be a licensed corporation in Hong Kong under the SFO.

Custodian Agreement

Commencing from 11 March 2005, the Company appointed Bank of Communications Trustee Limited as its custodian for the provision of custody services. The Bank of Communications Trustee Limited, has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement will continue in force until terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time.

The Board, including the independent non-executive directors, is of the view that the above connected transaction has been entered into on normal commercial terms, on an arm's length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year ended 31 December 2010 the amount of public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters for the year ended 31 December 2010.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in Note 34 to the financial statements.

AUDITORS

HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 18 March 2011

HLB 國衛會計師事務所 Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
NATIONAL INVESTMENTS FUND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of National Investments Fund Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 69, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and 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 disclosure requirements of 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 the material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 auditors' judgment, 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 auditors consider 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.

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 disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 18 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	68,599	(12,449)
Other income	8	—	34
Change in fair value of derivative financial instrument		(156)	(806)
Change in fair value of conversion options embedded in convertible notes		(721)	(950)
Impairment loss on available-for-sale financial assets		(304)	(3,402)
Loss on disposal of a subsidiary	29	(4,198)	—
Other operating expenses		(22,397)	(15,255)
Finance costs	9	(63)	(206)
Profit/(loss) before income tax		40,760	(33,034)
Income tax expense	10	—	—
Profit/(loss) for the year	11	40,760	(33,034)
Other comprehensive income/(loss)			
— Net loss on revaluation of available-for-sale financial assets during the year		(6,246)	(2,256)
— Reclassification upon impairment		—	976
Other comprehensive expense for the year, net of income tax		(6,246)	(1,280)
Total comprehensive income/(loss) for the year		34,514	(34,314)
Profit/(loss) for the year attributable to:			
Owners of the Company		40,760	(33,034)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		34,514	(34,314)
			(Restated)
Earnings/(loss) per share			
Basic	16	4.83 cents	(7.56) cents
Diluted	16	4.69 cents	(7.56) cents

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

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	3,130	3,785
Interests in a jointly controlled entity	19	9,000	—
Available-for-sale financial assets	20	26,668	3,448
Conversion options embedded in convertible notes	21	1,001	—
		39,799	7,233
Current assets			
Financial assets at fair value through profit or loss	22	233,985	66,030
Prepayments, deposits and other receivables		1,184	912
Cash and bank balances		27,991	29,365
		263,160	96,307
Total assets		302,959	103,540
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	25	59,278	32,950
Reserves		241,919	70,211
Total equity		301,197	103,161
Liabilities:			
Current liabilities			
Accrued charges and other payable		1,762	379
Total liabilities		1,762	379
Total equity and liabilities		302,959	103,540
Net current assets		261,398	95,928
Total assets less current liabilities		301,197	103,161

Approved by the Board of Directors on 18 March 2011 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

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

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	**3,130**	3,785
Interests in subsidiaries	18	**9,000**	3,448
Available-for-sale financial assets	20	**26,668**	—
Conversion options embedded in convertible notes	21	**1,001**	—
		39,799	7,233
Current assets			
Financial assets at fair value through profit or loss	22	**233,985**	66,030
Prepayments, deposits and other receivables		**1,184**	912
Cash and bank balances		**27,991**	29,365
		263,160	96,307
Total assets		**302,959**	103,540
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	25	**59,278**	32,950
Reserves	26	**241,919**	70,211
Total equity		**301,197**	103,161
Liabilities:			
Current liabilities			
Accrued charges and other payable		**1,762**	379
Total liabilities		**1,762**	379
Total equity and liabilities		**302,959**	103,540
Net current assets		**261,398**	95,928
Total assets less current liabilities		**301,197**	103,161

Approved by the Board of Directors on 18 March 2011 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to the owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Available-for-sale financial assets equity reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2009	10,920	72,825	2,234	—	(976)	(58,048)	26,955
Loss for the year	—	—	—	—	—	(33,034)	(33,034)
Other comprehensive loss for the year	—	—	—	—	(1,280)	—	(1,280)
Total comprehensive loss for the year	—	—	—	—	(1,280)	(33,034)	(34,314)
Recognition of equity-settled share-based payment	—	—	645	—	—	—	645
Release upon lapse of share option	—	—	(1,382)	—	—	1,382	—
Issue of shares	2,184	8,736	—	—	—	—	10,920
Share issuing expenses	—	(178)	—	—	—	—	(178)
Conversion of convertible notes	19,846	45,559	—	33,566	—	—	98,971
Issue of warrants	—	—	—	262	—	—	262
Warrants issuing expenses	—	—	—	(100)	—	—	(100)
At 31 December 2009 and at 1 January 2010	32,950	126,942	1,497	33,728	(2,256)	(89,700)	103,161
Profit for the year	—	—	—	—	—	40,760	40,760
Other comprehensive loss for the year	—	—	—	—	(6,246)	—	(6,246)
Total comprehensive income for the year	—	—	—	—	(6,246)	40,760	34,514
Release upon lapse of share option	—	—	(576)	—	—	576	—
Release upon disposal of a subsidiary	—	—	—	—	3,769	—	3,769
Issue of shares	17,354	96,394	—	—	—	—	113,748
Share issuing expenses	—	(3,112)	—	—	—	—	(3,112)
Conversion of convertible notes	6,492	25,162	—	5,053	—	—	36,707
Exercise of warrants	2,482	25,474	—	(15,546)	—	—	12,410
Release upon lapse of warrants	—	—	—	(162)	—	162	—
At 31 December 2010	**59,278**	**270,860**	**921**	**23,073**	**(4,733)**	**(48,202)**	**301,197**

The accompany notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
Bank interest income received	1	32
Proceeds from sale of financial assets at fair value through profit or loss	88,727	20,011
Dividend income received	643	15
Cash payments to acquire financial assets at fair value through profit and loss	(188,891)	(98,351)
Cash payments to employees	(6,283)	(4,626)
Cash payments to investment managers	(433)	(373)
Cash payments to custodian	(133)	(46)
Cash payments to other suppliers	(13,584)	(9,419)
Net cash outflow from operating activities	(119,953)	(92,757)
Cash flows from investing activities		
Purchase of property, plant and equipment	(468)	(4,082)
Net cash inflow from disposal of a subsidiary	1,500	—
Cash payments to acquire convertible notes	(33,000)	(5,704)
Amount advance to a jointly controlled entity	(9,000)	—
Net cash outflow from investing activities	(40,968)	(9,786)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	126,158	10,919
Share issuing expenses	(3,112)	(177)
Proceeds from issue of convertible notes	37,000	99,230
Payment for expense attributable to issue of convertible notes	(499)	(1,271)
Net proceeds from issue of warrants	—	162
Net cash inflow from financing activities	159,547	108,863
Net (decrease)/increase in cash and cash equivalents	(1,374)	6,320
Cash and cash equivalents at beginning of the year	29,365	23,045
Cash and cash equivalents at end of the year	27,991	29,365
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	27,991	29,365

The accompany notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal activity of the Group is investment in listed and unlisted companies. Particulars of the subsidiary are set out in Note 18 to the consolidated financial statements.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company is located at Suite 5128, 51/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in Note 4.

(a) Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial assets (including financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments) and financial liabilities that are measured at fair values, as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain of assets the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial instrument: Recognition and measurement or, when applicable, the cost on initial recognition of an investment in an associated or jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

(c) Business combinations

Business combination that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date except than:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income taxes and HKAS 19 Employee benefit respectively;
- liabilities or equity instruments related to share-based payment transaction of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations are measured in accordance with that standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations *(Continued)*

Business combination that took place on or after 1 January 2010 *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets on a transaction by transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at the end of subsequent reporting period and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at the end of subsequent reporting period in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities* and *Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combinations *(Continued)*

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(e) Investments in 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which ventures have jointly control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in consolidated financial statements using the equity method of accounting. Under the equity method, interests in jointly controlled entities are carried in consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on the straight-line method so as to write down the cost of property, plant and equipment to their estimated realisable values over their estimated useful lives at the following rates:

Leasehold improvement	33%
Furniture and fixtures	10-50%
Office equipment	20%
Computer	50%

The assets' estimated residual values, useful lives and depreciation methods are received, and adjusted appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement 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 consolidated statement of comprehensive income in the year the asset is derecognised.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At the end of the reporting period, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period, loans and receivables (including deposits, other receivables, amounts due from subsidiary and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial asset equity reserve. Where the financial asset is disposal of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset equity reserve is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one to two months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When other receivables are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in according with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designated eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

During the year, the Group did not hold any financial liabilities at fair value in this category.

Other financial liabilities

Other financial liabilities including accrued charges and other payable are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(i) Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrants reserve). The warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the retained profits or accumulated losses.

(j) Cash and cash equivalents

Cash and cash equivalents are comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(k) Revenue

Revenue represents dividend income from securities investments, bank interest income, other interest income from financial assets and net gain/loss on financial assets at fair value through profit or loss.

(l) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the consolidated statement of comprehensive income as follows:

(i) Dividend income from investments is recognised when the Group's rights to receive payment have been established.

(ii) Interest income from a financial asset including financial assets at fair value through profit and loss is recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts and the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Net gain/loss on financial assets at fair value through profit or loss is recognised on the transaction dates when the relevant contracts are executed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Impairment of tangible and intangible assets, other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(p) Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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 consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

i. Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

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

ii. Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

iii. Retirement benefits scheme contributions

The Group has participated in the Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Scheme is generally funded by payments from employees and by the Group. The Group's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

(s) Equity-settled share-based payment transactions

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(t) Operating lease

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (a) controls, is controlled by, or is under common control with, the Group; (b) has an interest in the Group that gives it significant influence over the Group; or (c) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its holding company;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The following new and revised standards and interpretations have also been applied in these consolidated financial statements. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 3 (as Revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (as revised in 2008) is as follows:

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 3 (Revised 2008) Business combinations *(Continued)*

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of HKFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRS other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosure in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

Amendments to HKAS 7 Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

Amendments to HKAS 17 Leases

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 and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKAS 27 (as Revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

HKAS 28 (as revised in 2008) Investments in Associates

The principle adopted under HKAS 27 (as revised in 2008) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Amendments to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ('HK Int 5') clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK Int 5 has had no material impact on the amounts reported for the current and prior years.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HK (IFRIC) — Int 17 Distributions of Non-cash Assets to Owners

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

HK (IFRIC) — Int 18 Transfers of Assets from Customers

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with HKAS 18 Revenue.

Improvements to HKFRSs issued in 2009

The application of Improvements to HKFRSs issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

Standards and interpretations in issue but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[7]
HKAS 24 (as revised in 2009)	Related Party Disclosures[3]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HKFRS 1 (Amendments)	Limiting Exemption from Comparative HKFRS 7 — Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosure — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 February 2010
7 Effective for annual periods beginning on or after 1 January 2012

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt 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.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. 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 presented in other comprehensive income, unless the presentation 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 presented in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) — Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) — Int 19 will affect the required accounting. In particular, under HK(IFRIC) — Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Share-based payment

The Group follows the guidance of HKFRS 2 when determining the fair value of the share options granted at the grant date. This determination requires significant estimate. In making this judgment, the Group incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price and the valuation technique should be consistent with the generally accepted valuation methodologies for pricing financial instruments.

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Company will hold on to this investment.

Impairment of other receivables

The Group estimates impairment losses for other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the other receivable balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2010 HK$'000	2009 *HK$'000*
Financial assets		
Available-for-sale financial assets	**26,668**	3,448
Conversion options embedded in convertible notes	**1,001**	—
Financial assets at fair value through profit or loss	**233,985**	66,030
Loans and receivables (including cash and bank balances)	**37,167**	29,365
	298,821	98,843
Financial liabilities		
At amortised cost	**1,762**	379

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise available-for-sale financial assets, conversion options embedded in convertible notes, financial assets at fair value through profit or loss and loans and receivables. The main purpose of holding these financial instruments is to generate short term appreciation gain and gain from trading of these financial instruments. The Group has other financial assets and liabilities such as other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured. Details of sensitivity analysis for foreign currency risk, interest rate risk and price risk are set out below.

Foreign currency risk

The majority of the Group's monetary assets are denominated in Hong Kong dollars and United State dollars. Therefore, the Group is not exposed to foreign exchange risk. As Hong Kong dollar are pegged to United State dollar, it is assumed that there would be no material currency risk exposure between these two currencies. The Group does not have any formal hedging policies.

Interest rate risk

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. As the Group has no significant interest bearing assets and liabilities, the Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to consolidated statement of comprehensive income as incurred.

Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period:

If the equity prices had been 5% higher/lower:

— net profit for the year ended 31 December 2010 would increase/decrease by approximately HK$11,699,000 (2009: HK$3,302,000). This is mainly due to change in fair value of held for trading investments.

— other equity reserves would increase/decrease by approximately HK$1,333,000 (2009: HK$172,000). This is mainly due to change in fair value of available-for-sale financial assets.

The Group and the Company's sensitivity to price risks have increased during the year mainly due to the increase in investments in financial assets at fair value through profit or loss and available-for-sale financial assets.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2010, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group and the Company also have credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2010						
Non-derivative financial liabilities						
Accrued charges and other payable	—	1,762	—	—	1,762	1,762

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2009						
Non-derivative financial liabilities						
Accrued charges and other payable	—	379	—	—	379	379

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the black-ccholes option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2 fair value measurements are those derived from 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); and

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2010	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	**233,985**	**—**	**—**	**233,985**
Conversion options embedded in convertible notes	**—**	**—**	**1,001**	**1,001**
Available-for-sale financial assets				
Unlisted debt securities	**—**	**—**	**26,668**	**26,668**
Total	**233,985**	**—**	**27,669**	**261,654**

Note: The fair value of unlisted debt securities investments classified as available-for-sale investments, which measured using a discounted cash flow model that includes some assumptions that are not supported by observable market price or rates (see Note 20 for details).

2009	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	66,030	—	—	66,030
Available-for-sale financial assets				
Unlisted equity securities	—	—	3,448	3,448
Total	66,030	—	3,448	69,478

Note: The fair value of unlisted equity securities investments classified as available-for-sale investments, which measured using a discounted cash flow model that includes some assumptions that are not supported by observable market price or rates (see Note 20 for details).

There were no transfers between Levels 1 and 2 in the both years.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

2010

	Unlisted equity securities HK$'000	Unlisted debt securities HK$'000	Conversion options embedded in convertible notes HK$'000	Total HK$'000
Opening balance	3,448	—	—	3,448
Gains or losses recognised in:				
— profit or loss	—	123	(721)	(598)
— other comprehensive income	(1,513)	(4,733)	—	(6,246)
Purchases	—	31,278	1,722	33,000
Disposal	(1,935)	—	—	(1,935)
Closing balance	—	26,668	1,001	27,669

2009

	Unlisted equity securities HK$'000	Unlisted debt securities HK$'000	Conversion options embedded in convertible notes HK$'000	Total HK$'000
Opening balance	—	2,163	950	3,113
Gains or losses recognised in:				
— profit or loss	—	(3,139)	(950)	(4,089)
— other comprehensive income	(2,256)	976	—	(1,280)
Purchases	5,704	—	—	5,704
Closing balance	3,448	—	—	3,448

The gain or loss for the current year related to the unlisted debt securities and conversion options embedded in convertible notes had been recognised in the consolidated statement of comprehensive income.

All of the above gains and losses included in other comprehensive income for the current year relate to unlisted equity securities and unlisted debt securities held at the end of the reporting period and are reported as changes of "available-for-sale financial assets equity reserve".

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of nearly no debt. It finances its operation primary through equity attributable to owners of the Company, comprising share capital, share premium, share option reserve, warrants reserve, available-for-sale financial assets equity reserve and accumulated losses.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(d) Capital risk management *(Continued)*

Gearing ratio

The Group has adopted a higher finance leverage compared to the last year. Based on the Group's policy, the gearing ratio, as calculated as total debt divided by total equity at the end of the reporting period was as follows:

	2010 HK$'000	2009 HK$'000
Debt (i)	1,762	379
Equity (ii)	301,197	103,161
Gearing ratio	0.6%	0.4%

(i) Debt comprises accrued charges and other payable.
(ii) Equity includes all capital and reserves attributable to owners of the Company.

6. SEGMENT INFORMATION

The Group manages its business by both business lines and geography. In a manner consistent with the way in which information is reported internally to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance, the Group has presented its reportable segments under HKFRS 8 as follows:

Business segment

For the years ended 31 December 2010 and 2009, all of the Group's revenue were derived from investment income from investments in listed securities and unlisted securities, no further detailed analysis of the Group's business segment is disclosed.

Geographical segment

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the markets and assets are attributed to the segments based on the location of the assets.

The Group's operations are mainly located in Hong Kong and Australia. The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	2010 HK$'000	2009 HK$'000
Hong Kong	68,075	(12,932)
Australia	524	483
	68,599	(12,449)

The following is an analysis of the carrying amount of non-current assets (excluding financial instruments) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2010 HK$'000	2009 HK$'000
Hong Kong	12,130	3,785

* Non-current assets excluding financial instruments.

7. REVENUE

The amount of significant category of revenue recognised during the year is as follow:

	2010 **HK$'000**	2009 *HK$'000*
Net gain/(loss) on financial assets at fair value through profit or loss *(Note)*	**67,131**	(12,979)
Bank interest income	**1**	32
Interest income from available-for-sale financial assets	**824**	483
Dividend income from financial assets at fair value through profit or loss	**643**	15
	68,599	(12,449)

Note:

Net gain/(loss) on financial assets at fair value through profit or loss represented:

	2010 **HK$'000**	2009 *HK$'000*
Proceeds on sales	**88,727**	20,011
Less: cost of sales	**(101,698)**	(21,960)
Net realised loss on financial assets at fair value through profit or loss	**(12,971)**	(1,949)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**80,102**	(11,030)
Net gain/(loss) on financial assets at fair value through profit or loss	**67,131**	(12,979)

8. OTHER INCOME

	2010 **HK$'000**	2009 *HK$'000*
Exchange gain	**—**	31
Sundry income	**—**	3
	—	34

9. FINANCE COSTS

	2010 **HK$'000**	2009 *HK$'000*
Imputed interest expense on convertible notes	**49**	206
Others	**14**	—
	63	206

10. INCOME TAX EXPENSE

Current taxation

No provision for Hong Kong profits tax has been made as the Group utilised the tax loss previously not recognised for the year ended 31 December 2010.

No provision for Hong Kong profits tax has been made as the Group incurred a taxation loss for the year ended 31 December 2009.

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

	2010 HK$'000	2010 %	2009 HK$'000	2009 %
Profit/(loss) before income tax	40,760		(33,034)	
Tax at Hong Kong profits tax rate of 16.5% (2009: 16.5%)	6,725	16.5	(5,451)	(16.5)
Estimated tax effect on income that are not taxable in determining taxable profit	(177)	(0.4)	(85)	(0.2)
Estimated tax effect on expenses that are not deductible in determining taxable profit	777	1.9	1,033	3.1
Estimated tax effect of unrecognised temporary difference	101	0.2	(20)	(0.1)
Tax effect of unrecognised tax losses	(7,426)	(18.2)	4,523	13.7
Tax income and effective tax rate for the year	—	—	—	—

11. PROFIT/(LOSS) FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year has been arrived after charging:		
Auditors' remuneration	150	150
Directors' emoluments *(Note 13)*	2,269	2,034
Total staff costs, excluding directors' emoluments	4,699	3,321
Depreciation of property, plant and equipment	1,136	372
Legal and professional fee	313	798
Operating lease rental in respect of land and building	2,237	1,348
Equity-settled share-based payment expenses	—	645
Impairment loss on other receivables	220	251
Loss on disposal of a subsidiary	4,198	—

12. NET PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of HK$43,016,000 (2009: loss of HK$35,290,000) which has been dealt with in the financial statements of the Company.

13. DIRECTORS' EMOLUMENTS

The emoluments of every director for the year ended 31 December 2010 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Wong Danny F.	—	720	—	12	732
Mr. Wu Tse Wai, Frederick	—	360	—	—	360
Mr. Fong Chi Wah	—	264	—	12	276
Ms. Yang XiaoFeng	—	360	—	—	360
Mr. Liu Jin	—	180	—	—	180
Mr. Char Shik Ngor, Stephen	—	180	—	—	180
Mr. Lui Tin Nang *(Note 1)*	—	129	—	—	129
Mr. Fung Kwok Leung *(Note 2)*	—	52	—	—	52
	—	2,245	—	24	2,269

The emoluments of every director for the year ended 31 December 2009 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Wong Danny F.	—	573	26	12	611
Mr. Liu JiYang *(Note 3)*	—	81	—	—	81
Mr. Wu Tse Wai, Frederick	—	320	26	—	346
Mr. Fong Chi Wah	—	224	26	11	261
Mr. Lian WeiFei *(Note 4)*	—	—	—	—	—
Ms. Yang XiaoFeng	—	253	26	—	279
Mr. Dai ZheFeng *(Note 4)*	—	—	—	—	—
Mr. Liu Jin	—	126	26	—	152
Mr. Char Shik Ngor, Stephen	—	126	26	—	152
Mr. Fung Kwok Leung *(Note 2)*	—	126	26	—	152
	—	1,829	182	23	2,034

Notes:

1. Appointed on 13 April 2010
2. Resigned on 13 April 2010
3. Appointed on 29 June 2009 and resigned on 21 September 2009
4. Appointed on 26 August 2009 and resigned on 22 September 2009

During the year, there were no arrangements under which a director waived or agreed to waive any emolument for the year (2009: Nil).

During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The number of the directors fell within the following bands:

	Number of directors 2010	2009
Nil to HK$1,000,000	8	10

14. EMPLOYEES' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year included one executive director (2009: two) whose emoluments were reflected in the analysis presented in Note 13 to the consolidated financial statements. The emoluments of the remaining four individuals (2009: three individuals) were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other short-term employee benefits	2,069	1,847
Employer's contribution to pension scheme	5	20
	2,074	1,867

The emoluments of the four (2009: three) highest paid employees were within the following bands:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	4	3

During the years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: Nil).

16. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(loss)	2010 HK$'000	2009 HK$'000
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	40,760	(33,034)

Number of shares	2010 '000	2009 '000 (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	844,654	436,796
Effect of dilutive potential ordinary shares:		
Warrants issued by the Company	23,691	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) of share	868,345	436,796

During the years ended 31 December 2010 and 2009, the Company's outstanding share options were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options were anti-dilutive.

The weighted average of ordinary shares for the purpose of calculating basic profit/(loss) per share for the years ended 31 December 2010 and 2009 have been retrospectively adjusted for the effect of share consolidation completed in 14 September 2010.

17. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Leasehold improvement *HK$'000*	**Furniture and fixtures** *HK$'000*	**Office equipment** *HK$'000*	**Computer** *HK$'000*	**Total** *HK$'000*
At cost					
At 1 January 2009	—	4	75	38	117
Additions	1,913	1,568	187	414	4,082
At 31 December 2009 and 1 January 2010	1,913	1,572	262	452	4,199
Additions	18	466	3	—	487
Disposal	—	—	—	(16)	(16)
At 31 December 2010	1,931	2,038	265	436	4,670
Accumulated depreciation					
At 1 January 2009	—	2	20	20	42
Charge for the year	213	43	29	87	372
At 31 December 2009 and 1 January 2010	213	45	49	107	414
Charge for the year	645	232	53	206	1,136
Elimination upon disposal	—	—	—	(10)	(10)
At 31 December 2010	858	277	102	303	1,540
Net book value					
At 31 December 2010	**1,073**	**1,761**	**163**	**133**	**3,130**
At 31 December 2009	1,700	1,527	213	345	3,785

18. INTERESTS IN SUBSIDIARIES

	2010 ***HK$'000***	2009 *HK$'000*
The Company		
Unlisted investment, at cost	**—**	—
Amounts due from subsidiaries	**9,005**	5,678
Less: Impairment loss recognised in respect of amounts due from subsidiaries	**(5)**	(2,230)
	9,000	3,448

The movement of provision for impairment loss on amounts due from subsidiaries is as follows:

	2010 ***HK$'000***	2009 *HK$'000*
At the beginning of the year	**2,230**	—
Impairment loss recognised	**5**	2,230
Amount written off upon disposal of a subsidiary	**(2,230)**	—
	5	2,230

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand repayment within one year from the end of the reporting period and are therefore considered as non-current.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the Group's subsidiary as at 31 December 2010 is as follows:

Name of subsidiary	Place of incorporation or operation	Class of share	Fully paid share capital	Proportion of nominal value of paid-up capital held by the Company Directly	Indirectly	Principal activities
Kingford Global Investments Limited ("Kingford Global")	British Virgins Islands	Ordinary	US$1	100%	—	Investment holdings

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2010 HK$'000	2009 HK$'000
Investment costs in a jointly controlled entity	—	—
Amount due from a jointly controlled entity	9,000	—
	9,000	—

Note:

The amount due from a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand repayment within one year from the end of reporting period and are therefore considered as non-current.

On 14 July 2010, Kingford Global, a wholly-owned subsidiary of the Group, has entered into a joint venture agreement with G. Communication Co., Ltd., Longrich Global Investments Limited and Cherry Global Investments Limited to jointly establish New Sakai Limited, incorporated under the laws of the British Virgin Islands. The investment costs amounted to approximately HK$23 and the Group's share of loss of the jointly controlled entity for the year ended 31 December 2010 amounted to approximately HK$23.

Details of the Group's jointly controlled entity which are held indirectly by the Company at 31 December 2010 are as follows:

Name of jointly controlled entity	Form of entity	Place of incorporation	Fully paid share capital	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held	Proportion of voting power held	Principal activities
New Sakai Limited	Incorporated	British Virgin Islands	US$10	Hong Kong	Ordinary	30%	30%	Investment holdings

19. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The summarised financial information in respect of the Group's interest in a jointly controlled entity is set out below:

	2010 HK$'000	2009 HK$'000
Revenue	293	—
Loss for the year	(1,666)	—
Loss attributable to the Group	—	—
Total assets	24,127	—
Total liabilities	(25,729)	—
Total assets and liabilities	(1,602)	—
Net assets attributable to the Group	—	—

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK$'000	2009 HK$'000
The Group		
Unlisted securities		
— debt securities *(Note (i) and (ii))*	26,668	—
— equity securities *(Note (iii))*	—	3,448
	26,668	3,448
Analysed for reporting purposes as:		
Non-current assets	26,668	3,448

	2010 HK$'000	2009 HK$'000
The Company		
Unlisted securities		
— debt securities *(Note (i) and (ii))*	26,668	—
	26,668	—
Analysed for reporting purposes as:		
Non-current assets	26,668	—

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(i) On 14 October 2010, the Group subscribed a convertible note (the "Premium Castle Convertible Note) with a principal amount of HK$27,000,000 issued by Premium Castle Limited ("Premium Castle"). Premium Castle is a private company with limited liability incorporated in British Virgin Islands.

The Premium Castle Convertible Note carries interest at 2% per annum with maturity of three years from the date of subscription. Full conversion of the Premium Castle Convertible Note will result in conversion into 19.59% of ordinary shares of the issued share capital of Premium Castle as of the conversion date.

The fair value at initial recognition of the debt element of the Premium Castle Convertible Note and conversion option element of the Premium Castle Convertible Note, amounting to approximately HK$25,675,000 and HK$1,325,000 respectively, are measured in accordance with HKAS 39.

During the year ended 31 December 2010, the net loss arising on change in fair value on the Premium Castle Convertible Note of approximately HK$4,788,000 has been recognised in the available-for-sale financial assets equity reserve, representing the loss on fair value change of the unlisted debt securities.

During the year ended 31 December 2010, none of the principal amount of the Premium Castle Convertible Note was converted and the principal amount of the Premium Castle Convertible Note outstanding as at 31 December 2010 was amounted to HK$27,000,000.

(ii) On 21 October 2010, the Group subscribed a convertible note (the "Unismart Convertible Note) with a principal amount of HK$6,000,000 issued by Unismart Investment Limited ("Unismart"). Unismart is a private company with limited liability incorporated in Hong Kong.

The Unismart Convertible Note carries interest at 5% per annum with maturity of two years from the date of subscription. Full conversion of the Unismart Convertible Note will result in conversion into approximately 27.50% of ordinary shares and 4,900,000 preference shares of the issued share capital of Unismart as of the conversion date.

The fair value at initial recognition of the debt element of the Premium Castle Convertible Note and conversion option element of the Unismart Convertible Note, amounting to approximately HK$5,603,000 and HK$397,000 respectively, are measured in accordance with HKAS 39.

During the year ended 31 December 2010, the profit arising on change in fair value on the Unismart Convertible Note of approximately HK$55,000 has been recognised in the available-for-sale financial assets equity reserve, representing the profit on fair value change of the unlisted debt securities.

During the year ended 31 December 2010, none of the principal amount of the Unismart Convertible Note was converted and the principal amount of the Unismart Convertible Note outstanding as at 31 December 2010 was amounted to HK$6,000,000.

(iii) The unlisted equity securities are measured at fair value and are classified as Level 3 fair value measurement. Fair value is estimated using a discounted cash flow model. As at 31 December 2009, in determining the fair value, a risk adjusted discount factor of 21.31% are used.

21. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	2010 ***HK$'000***	2009 *HK$'000*
The Group and the Company		
Conversion options embedded in convertible notes	**1,001**	—

Note:

(i) Conversion options embedded in convertible notes represented the conversion option element of the convertible notes subscribed by the Group and are measured at fair value using the black-scholes option pricing model ("Black-Scholes Model") at initial recognition and at the end of each reporting period. The debt element of the convertible notes is classified as available-for-sale financial assets. As explained in Note 20 to the consolidated financial statement, the Group subscribed Premium Castle Convertible Note and Unismart Convertible Note during the year ended 31 December 2010 and amounts of approximately HK$1,325,000 and HK$397,000 were recognised respectively as conversion options embedded in convertible notes which were measured at fair value at initial recognition.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 HK$'000	2009 HK$'000
The Group and the Company		
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	223,551	66,030
Call warrants, at fair value		
— listed in Hong Kong	10,434	—
	233,985	66,030

The following is a list of the held-for-trading investments as at 31 December 2010:

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company	Cost of investment HK$'000	Fair value HK$'000	Change in fair value HK$'000
Radford Capital Investment Limited	Cayman Islands, limited liability company	40,000,000 ordinary shares	2.7951	HK$8,240,000	6,040	2,040	(4,000)
Mascotte Holdings Limited	Bermuda, limited liability company	47,500,000 ordinary shares	2.6828	HK$24,650,000	19,000	22,088	3,088
Willie International Holdings Limited	Hong Kong, limited liability company	11,000,000 ordinary shares	0.7431	HK$14,713,000	5,940	2,354	(3,586)
China Merchants Bank Co., Ltd.	PRC, limited liability company	1,522,000 ordinary shares	0.0389	RMB48,563,000	30,196	29,801	(395)
Freeman Financial Corporation Limited	Cayland Islands, limited liability company	90,000,000 ordinary shares	3.5547	HK$29,935,000	30,710	30,600	(110)
New Island Printing Holdings Limited	Bermuda, limited liability company	116,920,000 ordinary shares	4.3868	HK$15,532,000	34,202	134,458	100,256
Heritage International Holdings Limited	Bermuda, limited liability company	3,000,000 ordinary shares	0.1579	HK$1,675,000	1,035	231	(804)
Forefront Group Limited	Cayman Island, limited liability company	55,000,000 ordinary shares	1.3544	HK$12,319,000	6,182	1,979	(4,203)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

A brief description of the business and financial information of the above listed equity securities, based on their latest financial statements, is as follows:

(i) Radford Capital Investment Limited is principally engaged in investment in listed and unlisted companies in Hong Kong and overseas market.

The unaudited net loss attributable to the owners of Radford Capital Investment Limited for the six months ended 30 June 2010 was approximately HK$45,052,000.

(ii) Mascotte Holdings Limited is principally engaged in loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The unaudited net loss attributable to the owners of Mascotte Holdings Limited for the six months ended 30 September 2010 was approximately HK$107,440,000.

(iii) Willie International Holdings Limited is principally engaged in investment holding, trading of investments, property investment and provision of financial services.

The unaudited net loss attributable to the owners of Willie International Holdings Limited for the six months ended 30 June 2010 was approximately HK$102,780,000.

(iv) China Merchants Bank Co., Ltd. is principally engaged in provision of corporate and personal banking services, conducting treasury business, provision of asset management and trustee services and other financial services.

The unaudited net profit attributable to the owners of China Merchants Bank Co., Ltd. for the six months ended 30 June 2010 was approximately RMB13,203,000,000.

(v) Freeman Financial Corporation Limited is principally engaged in trading of securities, provision for finance, property holding and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding.

The unaudited net loss attributable to the owners of Freeman Financial Corporation Limited for the six months ended 30 September 2010 was approximately HK$76,296,000.

(vi) New Island Printing Holdings Limited is principally engaged in printing and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The unaudited net profit attributable to the owners of New Island Printing Holdings Limited for the six months ended 30 September 2010 was approximately HK$13,781,000.

(vii) Heritage International Holdings Limited is principally engaged in property investment, securities investment, money lending and investing holding.

The unaudited net loss attributable to the owners of Heritage International Holdings Limited for the six months ended 30 September 2010 was approximately HK$211,571,000.

(viii) Forefront Group Limited is principally engaged in provision of logistic services in Hong Kong and the PRC, manufacturing of carbon fiber in the PRC, properties investments, securities trading and money lending business.

The unaudited net loss attributable to the owners of Forefront Group Limited for the six months ended 30 June 2010 was approximately HK$88,364,000.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Call warrants listed in Hong Kong:

Name of Warrant issuer	Shares held	Number of warrants	Type of warrant	Issue price per warrant HK$	Exercise price per warrant HK$	Listing date	Expiry
BOCI Asia Limited	Existing issued ordinary shares of US$0.5 each of HSBC Holdings plc	18,000,000 ordinary shares	European style cash settled call warrants	0.15	0.83916	18 May 2010	19 Dec 2011
Barclays Bank plc	Existing issued ordinary shares of US$0.5 each of HSBC Holdings plc	18,000,000 ordinary shares	European style cash settled call warrants	0.16	0.83916	6 Aug 2010	12 Dec 2011
Macquarie Bank Limited	Existing issued ordinary H shares of RMB1 each of China Coal Energy Company Limited	26,700,000 ordinary shares	European style cash settled call warrants	0.25	1.568	18 Oct 2010	30 Jun 2011
Barclays Bank plc	Existing issued ordinary shares of par value HKD0.25 each of Hutchison Whampoa Limited	12,000,000 ordinary shares	European style cash settled call warrants	0.25	0.7888	2 Nov 2010	26 Mar 2012
Barclays Bank plc	Existing issued ordinary shares of par value HKD1.00 each of Hong Kong Exchanges and Clearing Limited	10,000,000 ordinary shares	European style cash settled call warrants	0.25	2.0888	22 Oct 2010	17 Oct 2011
Merrill Lynch International & Co. C.V.	Existing issued unit of iShares FTSE/Xinhua A50 China Index ETF	20,000,000 units	European style cash settled call warrants	0.15	1.5190	22 Oct 2010	22 June 2011
Nomura International plc	Existing issued ordinary shares of US$0.50 each of HSBC Holdings plc	18,000,000 ordinary shares	European style cash settled call warrants	0.15	0.8393	30 Jun 2010	31 Jan 2013
BNP Paribas Arbitrage Issuance B.V.	Existing issued ordinary H shares of RMB1 each of Jiangxi Copper Company Limited	2,700,000 ordinary shares	European style cash settled call warrants	0.31	2.2000	28 Sep 2010	2 Mar 2012

23. CONVERTIBLE NOTES

On 7 July 2009 and 16 April 2010, the Company issued 2% coupon convertible notes at par denominated in HKD in an aggregate principal amount of HK$99,230,000 (the "First Tranche Convertible Notes") and HK$37,000,000 (the "Second Tranche Convertible Notes") respectively. The First Tranche Convertible Notes and Second Tranche Convertible Notes will mature on the third anniversary of the date of issue of the Convertible Notes, 7 July 2012 and 16 April 2013 respectively. Each First Tranche Convertible Notes and Second Tranche Convertible Notes entitles the holders to convert them into ordinary shares ("Conversion Shares") of the Company at any time between the dates of issue and their maturity dates at a conversion price of HK$0.25 per share and HK$0.285 respectively subject to adjustments for subdivision or consolidation of shares, bonus issues, right issues, distributions and other dilutive events. If the First Tranche Convertible Notes and Second Tranche Convertible Notes have not been converted, they will be redeemed on 7 July 2012 and 16 April 2013 respectively at their principal amount and at any accrued interests. The Convertible Shares shall at all times rank equally among themselves and pari passu with all other shares of the Company in issue with respect of the right to any dividends or distributions declared.

Upon the First Tranche Convertible Notes and Second Tranche Convertible Notes holders exercising the conversion rights attached to the First Tranche Convertible Notes and Second Tranche Convertible Notes, the holders will be entitled for one warrant at nil consideration on the basis of every five Conversion Shares being converted and issued ("CN Warrants"). The subscription prices of the CN Warrants for First Tranche Convertible Notes and Second Tranche Convertible Notes are HK$0.25 per share and HK$0.285 respectively.

The Company can early redeem the Convertible Notes at 105% of the outstanding principal amount of the Convertible Notes if the redemption is served before the second anniversary of the date of issue of the relevant tranche Convertible Notes.

The Company can early redeem the Convertible Notes at 110% of the outstanding principal amount of the Convertible Notes if the redemption is served after the second anniversary of the date of issue of the relevant tranche Convertible Notes.

The net proceeds received from the issue of Convertible Notes contain the following components that are required to be separately accounted for:

(i) The fair value of the liability component for the First Tranche Convertible Notes and Second Tranche Convertible Notes represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 20.45% and 8.29% respectively.

(ii) Embedded derivatives, comprising:

 (a) The fair value of redemption option represents the Company's option to early redeem all or part of the Convertible Notes; and

 (b) The fair value of conversion option represents the option of the note holders to convert the First Tranche Convertible Notes and Second Tranche Convertible Notes into equity of the Company at conversion price of HK$0.25 and HK$0.285 respectively and the issuance of CN Warrants with subscription price of HK$0.25 and HK$0.285 respectively.

On 13 July 2009, 396,920,000 Conversion Shares at the conversion price of HK$0.25 were issued to the First Tranche Convertible Notes holders upon their conversion of the First Tranche Convertible Notes in the aggregate principal amount of HK$99,230,000. In accordance with the terms and conditions of First Tranche Convertible Notes, upon exercising the conversion rights attaching to the First Tranche Convertible Notes on 13 July 2009, the Company issued 79,384,000 warrants to holders of the Conversion Shares.

The binomial option pricing model is used in the valuation of the embedded derivatives. Inputs into the model at the respective dates are as follows:

	7 July 2009	13 July 2009
Risk free rate of interest	1.16%	1.03%
Credit spread	18.82%	19.28%
Discount rate	19.98%	20.31%
Conversion price	HK$0.25	HK$0.25
Spot price	HK$0.75	HK$0.8
Volatility	108.94%	108.63%

23. CONVERTIBLE NOTES *(Continued)*

On 22 April 2010, approximately 129,825,000 Conversion Shares at the conversion price of 0.285 were issued to the Second Tranche Convertible Notes holders upon their conversion of the Second Tranche Convertible Notes in the aggregate principal amount of HK$37,000,000. In accordance with the terms and conditions of Second Tranche Convertible Notes, upon exercising the conversion rights attaching to the Second Tranche Convertible Notes on 22 April 2010, the Company issued approximately 25,965,000 warrants to holders of the Conversion Shares.

The binomial option pricing model is used in the valuation of the embedded derivatives. Inputs into the model at the respective dates are as follows:

	16 April 2010	22 April 2010
Risk free rate of interest	1.24%	1.20%
Credit spread	7.05%	7.22%
Discount rate	8.29%	8.42%
Conversion price	HK$0.285	HK$0.285
Spot price	HK$0.405	HK$0.38
Volatility	90.45%	90.34%

The movement of the liability component and the embedded derivatives in the convertible notes during the year are set out below:

The Group and the Company

	Liability *HK$'000*	**Embedded derivatives** *HK$'000*	**Total** *HK$'000*
At 1 January 2009	—	—	—
Convertible notes issued during the year	60,940	38,290	99,230
Issue cost	(781)	(490)	(1,271)
Imputed interest charged	206	—	206
Change in fair value	—	806	806
Conversion of convertible notes into ordinary shares	(60,365)	(38,606)	(98,971)
At 31 December 2009 and 1 January 2010	—	—	—
Convertible notes issued during the year	30,924	6,076	37,000
Issue cost	(417)	(82)	(499)
Imputed interest charged	49	—	49
Change in fair value	—	156	156
Conversion of convertible notes into ordinary shares	(30,556)	(6,150)	(36,706)
At 31 December 2010	**—**	**—**	**—**

24. WARRANTS

On 15 June 2009, the Group has entered into a placing agreement with Sun Hung Kai International Limited for issue of up to 52,416,000 warrants to independent investors at an issue price of HK$0.005 per warrant. The warrants entitle the warrantholders to subscribe for the subscription shares at a subscription price of HK$0.8 per subscription share for a period of 12 months commencing from the date of issue of the warrants. The placing was completed on 24 June 2009.

On 13 July 2009, 396,920,000 Conversion Shares at the conversion price of HK$0.25 were issued to the First Tranche Convertible Notes holders upon their conversion of the First Tranche Convertible Notes in the aggregate principal amount of HK$99,230,000. In accordance with the terms and conditions of First Tranche Convertible Notes, upon exercising the conversion rights attaching to the First Tranche Convertible Notes on 13 July 2009, the Company issued 79,384,000 warrants to holders of the First Tranche Conversion Shares.

24. WARRANTS *(Continued)*

The subscription rights attaching to the CN Warrants issued under First Tranche Convertible Notes are measured at fair value of approximately HK$33,566,000 on initial recognition and are recognised in equity in the warrants reserve.

On 22 April 2010, approximately 129,825,000 Conversion Shares at the conversion price of HK$0.285 were issued to the Second Tranche Convertible Notes holder upon their conversion of the Second Tranche Convertible Notes, upon exercising the conversion rights attaching to the Second Tranche Conversion Notes on 22 April 2010, the Company issued approximately 25,965,000 warrants to the holders of the Second Tranche Conversion Shares.

The subscription rights attaching to the CN Warrants issued under Second Tranche Convertible Notes are measured at fair value of approximately HK$5,053,000 on initial recognition and are recognized in equity in the warrants reserve.

The fair values of the CN Warrants issued under First Tranche Convertible Notes and Second Tranche Convertible Notes were determined using the binominal option pricing model and the inputs into the model were as follows:

	22 April 2010	13 July 2009
Exercise price	**HK$0.285**	HK$0.25
Share price	**HK$0.38**	HK$0.8
Expected volatility	**90.34%**	157.45%
Remaining life (in years)	**2.98**	3.00
Risk free rate	**1.20**	1.03%

At 31 December 2010, the Company had outstanding approximately 55,705,000 warrants (2009: 131,800,000 (restated)) and their exercise in full would result in the issuance of approximately 55,705,000 shares (2009: 131,800,000 (restated)).

25. SHARE CAPITAL

	Number of shares		**Amount**	
	2010 *'000*	2009 *'000*	**2010 *HK$'000***	2009 *HK$'000*
The Group and the Company				
Authorised ordinary shares:				
At 1 January	**20,000,000**	2,000,000	**200,000**	20,000
Increase in authorised share capital *(Note (a))*	**—**	18,000,000	**—**	180,000
Share consolidation *(Note (f))*	**(16,000,000)**	—	**—**	—
At 31 December	**4,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid ordinary shares:				
At 1 January	**3,295,000**	1,092,000	**32,950**	10,920
Issue of shares *(Note (b))*	**—**	218,400	**—**	2,184
Issue of shares *(Note (c))*	**—**	1,984,600	**—**	19,846
Issue of shares *(Note (d))*	**649,123**	—	**6,492**	—
Issue of shares *(Note (e))*	**788,824**	—	**7,888**	—
Share consolidation *(Note (f))*	**(3,786,358)**	—	**—**	—
Exercise of warrants *(Note (g))*	**41,237**	—	**2,062**	—
Issue of shares *(Note (h))*	**189,318**	—	**9,466**	—
Exercise of warrants *(Note (i))*	**6,807**	—	**340**	—
Exercise of warrants *(Note (j))*	**1,600**	—	**80**	—
At 31 December	**1,185,551**	3,295,000	**59,278**	32,950

25. SHARE CAPITAL *(Continued)*

Notes:

(a) On 8 June 2009, an ordinary resolution was passed to increase the authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 shares with nominal value of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 shares with nominal value of HK$0.01 each by creation of an additional amount of HK$180,000,000.

(b) On 14 April 2009, 218,400,000 ordinary shares of HK$0.01 were issued at a price of HK$0.05 per share. A share premium of HK$8,736,000 had been credited to share premium account. The net proceeds of approximately HK$10,742,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 31 March 2009.

(c) On 13 July 2009, First Tranche Convertible Notes of HK$99,230,000 was converted into ordinary shares of the Company at a conversion price of HK$0.05 per share. As a result, 1,984,600,000 ordinary shares were issued.

(d) On 22 April 2010, Second Tranche Convertible Notes of HK$37,000,000 was converted into ordinary shares of the Company at a conversion price of HK$0.057 per share. As a result, approximately 649,123,000 ordinary shares were issued.

(e) On 16 August 2010, 788,824,000 shares of HK$0.01 were issued at a price of HK$0.041 per share. A share premium of approximately HK$24,454,000 had been credited to share premium account. The net proceeds of approximately HK$32,342,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 4 August 2010.

(f) Pursuant to an ordinary resolution at the extraordinary general meeting held on 13 September 2010, every five existing issued and unissued shares of HK$0.01 each in the capital of the Company was consolidated into one consolidated share of HK$0.05 each in the Company. Also, the board lot size of the Company has been changed from 4,000 shares to 10,000 consolidated shares. The share consolidation became effective on 14 September 2010. Details of the share consolidation were set out in the Company's circular dated 23 August 2010.

(g) On 1 November 2010, approximately 41,237,000 CN warrants were exercised into ordinary shares of the Company at an exercise price of HK$0.25 per share. As a result, approximately 41,237,000 ordinary shares were issued.

(h) On 8 November 2010 and 9 November 2010, 189,317,872 ordinary shares of HK$0.05 were issued at a price of HK$0.43 per share. A share premium of approximately HK$71,941,000 had been credited to share premium account. The net proceeds of approximately HK$78,814,000 are intended to be used for investments in securities and/or as general working capital of the Company. Details of these transactions were set out in the Company's announcement dated 26 October 2010.

(i) On 10 November 2010, approximately 6,807,000 CN warrants were exercised into ordinary shares of the Company at an exercise price of HK$0.25 per share. As a result, approximately 6,807,000 ordinary shares were issued.

(j) On 10 December 2010, 1,600,000 CN warrants were exercised into ordinary shares of the Company at an exercise price of HK$0.25 per share. As a result, 1,600,000 ordinary shares were issued.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

26. RESERVES

The Company

	Share premium HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Available-for-sale financial assets equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	72,825	2,234	—	(976)	(58,048)	16,035
Loss for the year	—	—	—	—	(35,290)	(35,290)
Other comprehensive income/(loss)	—	—	—	976	—	976
Total comprehensive income/(loss) for the year	—	—	—	976	(35,290)	(34,314)
Recognition of equity-settled share-based payment	—	645	—	—	—	645
Release upon lapse of share option	—	(1,382)	—	—	1,382	—
Issue of shares	8,736	—	—	—	—	8,736
Share issuing expenses	(178)	—	—	—	—	(178)
Conversion of convertible notes	45,559	—	33,566	—	—	79,125
Issue of warrants	—	—	262	—	—	262
Expense on issue of warrants	—	—	(100)	—	—	(100)
At 31 December 2009 and 1 January 2010	126,942	1,497	33,728	—	(91,956)	70,211
Profit for the year	—	—	—	—	43,016	43,016
Other comprehensive income/(loss)	—	—	—	(4,733)	—	(4,733)
Total comprehensive income/(loss) for the year	—	—	—	(4,733)	43,016	38,283
Release upon lapse of share option	—	(576)	—	—	576	—
Issue of shares	96,394	—	—	—	—	96,394
Share issuing expenses	(3,112)	—	—	—	—	(3,112)
Conversion of convertible notes	25,162	—	5,053	—	—	30,215
Exercise of warrants	25,474	—	(15,546)	—	—	9,928
Release upon lapse of warrants	—	—	(162)	—	162	—
At 31 December 2010	**270,860**	**921**	**23,073**	**(4,733)**	**(48,202)**	**241,919**

27. DEFERRED TAXATION

No provision for deferred taxation has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2009: Nil).

At the end of the reporting period, the Group has estimated tax losses of approximately HK$28,454,000 (2009: HK$71,391,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

At the end of the reporting period, the Company has estimated tax losses of approximately HK$28,448,000 (2009: HK$73,647,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

28. NET ASSETS VALUE PER SHARE

As at 31 December 2010, the net assets value per share is HK$0.254 (2009: HK$0.157 (restated)).

The calculation of net assets value per share is based on the net assets of approximately HK$301,197,000 (2009: HK$103,161,000) and 1,185,551,000 (2009: 659,000,000 (restated)) ordinary shares in issue as at 31 December 2010.

29. DISPOSAL OF A SUBSIDIARY

On 24 November 2010, the Group disposed Frameway Investments Limited, which is a wholly-owned subsidiary of the Company, at a total consideration of HK$1,500,000.

The net liabilities of Frameway Investments Limited at the date of disposal were as follows:

	HK$'000
Available-for-sale financial assets	**1,934**
Accrued charges and other payable	**(5)**
Amount due to the holding company	**(5,678)**
	(3,749)
Release of available-for-sale financial assets equity reserve	**3,769**
Less: amount due to the holding company	**5,678**
Loss on disposal of a subsidiary	**(4,198)**
	1,500
Total consideration satisfied by cash	**1,500**
Net cash inflow arising on disposal	**1,500**

For the period from 1 January 2010 to the date of disposal, no revenue contributed by Frameway Investments Limited and loss of approximately HK$6,000 has recognised in the Group's profit for the year ended 31 December 2010.

30. OPERATING LEASE COMMITMENTS

The Group and the Company

As lessee

As at 31 December 2010, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Within one year	**2,361**	2,681
In the second to fifth years, inclusive	**1,428**	2,721
	3,789	5,402

The Group leases office properties under operating lease arrangement and the lease payments are fixed and pre-determined.

31. MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2010, the Group had entered into transactions with, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

	2010 HK$'000	2009 HK$'000
Investment management expense to a related party (a)	402	50

(a) In November 2010, the investment management agreement entered into between the Company and Beijing Capital Partners Limited, in relation to the management of the Company's investment portfolio and to avail the Company of the experience, advice and assistance of the investment manager for a term of one year commencing on 16 November 2010 and terminating on 15 November 2011 at a management fee of HK$400,000 per annum. Mr. Wu Tse Wai, Frederick is the director of the Company and Beijing Capital Partners Limited.

Key management compensation

	2010 HK$'000	2009 HK$'000
Salaries and other short-term employee benefits	2,245	2,011
Employer's contribution to pension scheme	24	23
	2,269	2,034

The remuneration of directors and other members of key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

32. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Group on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Group to motivate participants for their significant contributions to the growth of the Group and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Group, it is important for the Group to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Group's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Company must not in aggregate exceed ten percent (10%) of the aggregate of the shares in issue as at the adoption date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty percent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one percent (1%) of the issued share capital of the Company for the time being.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(iii) The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) An option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Upon the share consolidation becoming effective on 14 September 2010, the number and exercise price of share options has been adjusted. The 8,736,000 outstanding share options entitling the holders to subscribe for 8,736,000 ordinary shares with an exercise price of HK$0.38 immediately before the share consolidation has been adjusted to 1,747,200 share options entitling the holders to subscribe for 1,747,200 ordinary shares and the exercise price of the share options has been adjusted to HK$1.90. Details of the adjustment of share options have been disclosed in the announcement dated 14 September 2010.

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 1,747,200 (2009: 14,196,000), representing 0.1% (2009: 0.4%) of the shares of the Company in issue at that date.

In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2007 to 26 August 2017.

The fair value of the share options granted during the year ended 31 December 2007 was HK$0.11 each. Options were priced using a binomial option pricing model.

Inputs into the model

Grant date share price	HK$0.255
Exercise price	HK$1.90
Expected volatility	83.5%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	3.525%
Exercise multiple	1.2

Expected volatility was determined by using the historical volatility of the comparable companies share price over the previous 156 weeks.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2010:

	Number of share options										
	Outstanding at 1 January 2010	Granted during year	Exercised during year	Lapsed during year	Reclassified during year	Adjustment during the year *(Note iii)*	Outstanding at 31 December 2010	Exercise price at 1 January 2010 *(HK$)*	Exercise price at 31 December 2010 (adjusted) *(HK$)*	Date of grant	Exercisable period *(Note i)*
Directors											
Mr. Wong Danny F.	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai Frederick	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang Xiaofeng	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fung Kwok Leung *(Note ii)*	1,092,000	–	–	–	(1,092,000)	–	–				
Mr. Liu Jin	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
	7,644,000	–	–	–	(1,092,000)	(5,241,600)	1,310,400				
Employees	5,460,000	–	–	(5,460,000)	–	–	–	0.38	–	28 November 2007	28 November 2007 to 26 August 2017
Resigned director *(Note ii)*	1,092,000	–	–	–	1,092,000	(1,747,200)	436,800	0.38	1.90	28 November 2007	28 November 2007 to 26 August 2017
	14,196,000	–	–	(5,460,000)	–	(6,988,800)	1,747,200				
Weighted average exercise price	HK$0.38	–	–	HK$0.38	HK$1.90	–	HK$1.90				

32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2009.

	Number of share options								
	Outstanding at 1 January 2009	Granted during year	Exercised during year	Lapsed during year	Reclassified during year	Outstanding at 31 December 2009	Exercise Price *(HK$)*	Date of grant	Exercisable period *(Note)*
Directors									
Mr. Wong Danny F.	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai, Frederick	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang Xiaofeng	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fung Kwok Leung	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Liu Jin	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	7,644,000	—	—	—	—	7,644,000			
Employees	18,564,000	—	—	(13,104,000)	—	5,460,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Resigned director *(Note ii)*	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	27,300,000	—	—	(13,104,000)	—	14,196,000			
Weighted average exercise price	HK$0.38	—	—	HK$0.38	—	HK$0.38			

The options outstanding at 31 December 2010 had the weighted average remaining contractual life of 6.65 years (2009: 7.65 years).

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

(ii) On 13 April 2010, Mr. Fung Kwok Leung has resigned as independent non-executive directors of the Company. The shares options held by Mr. Fung Kwok Leung was then classified as share options held by resigned director.

(iii) During the year ended 31 December 2010, every five existing issued and unissued shares of HK$0.01 each in a capital of Company was consolidated into one consolidated share of HK$0.05 each. Details of the share consolidation were set out in the Company's circular dated 23 August 2010 and the Company's announcements dated 13 September 2010 and 14 September 2010.

33. CAPITAL COMMITMENTS

As at 31 December 2010, the Group and the Company did not have any material capital commitments. (2009: Nil)

34. EVENTS AFTER THE REPORTING PERIOD

(i) On 24 November 2010 and 10 December 2010, the Company has entered into a placing agreement and a supplemental and amendment agreement respectively with Beijing Securities Limited to place up to 350,000,000 ordinary shares in a maximum of two tranches to not less than six placees at the placing price equal to 83% of the closing price per share as quoted on the Stock Exchange on the date on which the relevant completion notice is served by Beijing Securities Limited. Details of the placing were set out in the Company's announcement dated 24 November 2010 and 10 December 2010. Up to the end of the reporting period, the placing has not been completed and no ordinary share has been issued under this placing agreement.

(ii) On 24 November 2010, the Group has entered into a placing agreement with Beijing Securities Limited for issue of up to 179,484,913 warrants to independent institutional and/or private investors at an issue price of HK$0.002 per warrant. The warrants entitle the warrantholders to subscribe for the subscription shares at HK$0.45 per subscription share for a period of 36 months commencing from the date of issue of the warrants. The ordinary resolution has duly passed at an extraordinary general meeting on 10 February 2011. No warrant has been issued at the end of the reporting period and the placing has not been completed up to the end of the reporting period.

(iii) The Company had entered into a non-legally binding memorandum of understanding (the "MOU") with an independent third party on 6 August 2010, pursuant to which an independent third party whose principal business is engagement in internet TV business in China had granted the Company a six-month period to negotiate the exchange of shares of the Company with that independent third party. As the parties to the MOU are unable to agree on major terms in respect of the exchange of shares of the Company during the negotiation process, the parties have agreed to terminate the MOU with immediate effect on 8 March 2011.

35. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2011.

Financial Summary

Summary of the results, assets and liabilities of the Group for the last five years is as follows:

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**68,599**	(12,449)	(17,936)	(1,361)	(203)
Profit/(loss) before income tax	**40,760**	(33,034)	(27,484)	(5,222)	(2,740)
Income tax expense	**—**	—	—	—	—
Profit/(loss) attributable to owners of the Company	**40,760**	(33,034)	(27,484)	(5,222)	(2,740)

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**302,959**	103,540	27,176	54,429	1,632
Total liabilities	**(1,762)**	(379)	(221)	(507)	(3,540)
Shareholders' fund/(deficit)	**301,197**	103,161	26,955	53,922	(1,908)