KongSun 江山

Kong Sun Holdings Limited

Stock Code : 295

江山

2010 ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS	Tse On Kin *(Chairman)* Yu Pak Yan, Peter
INDEPENDENT NON-EXECUTIVE DIRECTORS	Lau Man Tak Man Kwok Leung Wong Yun Kuen
COMPANY SECRETARY	Tsang Kwai Ping
REGISTERED OFFICE	Unit C, 10th Floor Wings Building 110–116 Queen's Road Central, Central Hong Kong
AUDITORS	SHINEWING (HK) CPA Limited 43th Floor, The Lee Gardens 33 Hysan Avenue, Causeway Bay Hong Kong
SOLICITOR	Henry Fok & Co.
PRINCIPAL BANKERS	Standard Chartered Bank (Hong Kong) Limited The Bank of China (HK) Limited The Bank of East Asia Limited
SHARE REGISTRAR AND TRANSFER OFFICE	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Center 183 Queen's Road East Hong Kong
STOCK CODE	295
CONTACT INFORMATION	Tel : 3621 0796 Fax : 3621 0795 Website : www.kongsun-holdings.com

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Kong Sun Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2010.

During the year of 2010, the Hong Kong stock market has been gradually climbing up due to the inflow of funds mainly from Mainland. The momentum pushing up the Hong Kong stock market is driven by the hot money inflow. Hong Kong is expected to continue to benefit from the economic development of Mainland China and the Group remains optimistic about the prospect for local property market in the medium and long term because of its strong fundamentals. However, due to the rising salary level in the People's Republic of China (the "PRC") and material costs, the Group is facing a high pressure on the production costs in its life-like plants business.

In 2010, the Company completed placing of new shares in February 2010, an open offer in October 2010 and placing of non-listed warrants in December 2010.

Thereafter, the Group has undertaken researches, identifying and evaluating potential diversified investment projects. No agreement was reached as at the date of this report. The Group has exercised additional cautions in the course of identifying suitable investment opportunities under the fluctuated global financial market.

Loss attributable to shareholders for the year ended 31 December 2010 has widen from approximately HK$12,418,000 to approximately HK$24,838,000. Loss per share increased to HK4.81 cents as compared to HK4.35 cents in the previous year. Further reduction in deficit and possible return to profitability will be our next target for the years to come.

The major investment of the Group remain rests in Hong Kong and the PRC. The Group will continue to focus on its existing businesses and looking forward for strategic investment opportunities with an aim to further strengthen the asset base and/or to generate stable income to the Group.

Finally, I would like to take this opportunity to extend my sincere thanks to all our business partners, shareholders, directors and staff for their support and contribution to the Group during the past year. With their continued trust and support, we are confident that the Group will overcome any difficulties that may come ahead and emerge all the strongest.

TSE ON KIN
Chairman

Hong Kong,
21 March 2011

Management Discussion and Analysis

Review of Operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in properties investment, manufacture and sales of life-like plants and securities investment.

For the year ended 31 December 2010, the turnover of the Group amounted to approximately HK$84,262,000. Loss attributable to shareholders has significantly increased to approximately HK$24,838,000 from approximately HK$12,418,000 recorded in last year. The increase of loss for the year was mainly contributed by the increase in operating costs, including the labour costs in the PRC and the loss on early redemption of promissory note.

Properties Investment

The Group's properties investment business had contributed approximately HK$1,702,000 to the total revenue of the Group for the year ended 31 December 2010. The turnover remains stable during the year. Given the result of low interest rate environment and land auctions with historical high prices, it gave a positive effect on both property prices and transaction volume. It is expected that the revenue from the properties investment business would have a steady growth in the coming future.

Life-like Plants Business

The life-like plants business had contributed approximately HK$82,006,000 to the total revenue of the Group for the year ended 31 December 2010. Despite the business environment remaining challenging and the pressure of continuously rise of production costs in the PRC, the Group will focus on the enhancement in production innovation and closely monitor the costs in order to maintain the competitiveness in the industry.

Securities Investment

During the year of 2010, the Group has diversified its investments into securities market. As at 31 December 2010, the Group managed a portfolio of investments in capital market with fair value of HK$32,954,000. The Group will be watchful on market developments and will continue to be prudent in managing its investment portfolio with a continuing focus on improving overall asset quality.

Prospects

Going to the new financial year, anticipated continuous inflation in the PRC caused by the strong demand of Renminbi ("RMB"), the labour costs and the raw material prices are expected to be in up trend. In order to maintain the competitiveness in life-like plants business, the Group will keep focus on production efficiency improvements and innovative product design. The Group has undertaken a placing of shares and open offer during the year which further solid the working capital and financial position of the Group. The Group is also actively looking for new investment and business opportunities to deliver the greatest return to shareholders.

Capital Structure

As at 31 December 2010, the Group has shareholders' equity of approximately HK$265,402,000 and the share capital of the Company had the following changes:

On 2 February 2010, 60,400,000 ordinary shares of HK$0.20 each were issued at the placing price of HK$0.4 per placing share.

On 27 October 2010, 239,654,173 ordinary shares of HK$0.20 each were issued under the open offer at the subscription price of HK$0.25 per offer share on the basis of one offer share for every two existing shares held by the qualifying shareholders on 6 October 2010.

On 13 December 2010, 95,860,000 warrants ("Warrants") were placed. Each Warrant entitles the holders to subscribe for one ordinary share of HK$0.20 each at a subscription price of HK$0.28 per share at any time during the period from 13 December 2010 to 12 December 2012.

Investment Position and Planning

During the year ended 31 December 2010, the Group spent approximately HK$1,623,000 for acquisition of plant and machinery and leasehold improvement.

The Group has invested in shares of certain companies that are traded over the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 December 2010, the Group hold long-term and short-term investments with fair value of approximately HK$28,132,000 and HK$4,822,000, respectively.

Saved as disclosed above, the Group did not have any significant investment and there are no material acquisition or disposal of subsidiaries and associated company during the year.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2010, the Group's bank deposits in the amount of approximately HK$7,018,000 had been pledged to banks to secure banking facilities granted to the Group and for the requirement of the customs authorities of the PRC.

The Group has no significant contingent liabilities as at 31 December 2010.

Employees and Remuneration Policies

As at 31 December 2010, the Group has approximately 139 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with build-in-merit components incorporated in annual review to reward and motivate individual performance.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2010, the total shareholders fund of the Group amounted to approximately HK$265,402,000 (2009: HK$194,064,000), total assets of approximately HK$301,384,000 (2009: HK$252,439,000), current liabilities of approximately HK$23,579,000 (2009: HK$10,750,000) and non-current liabilities of approximately HK$12,403,000 (2009: HK$47,625,000).

The debt ratio (based on the total liabilities over the equity) of the Group was dropped from the ratio of 0.30 as at 31 December 2009 to 0.14 as at 31 December 2010.

The Group's business operation and investments are in Hong Kong and the PRC, most of the assets, liabilities and transactions of the Group are denominated in Hong Kong dollars and RMB. The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

Biographical Details of Directors and Senior Management

Mr. Tse On Kin

Chairman

aged 49, joined the Group on 20 April 2007 and is also chairman of the Board and the director of certain subsidiaries of the Company. Mr. Tse has over 20 years of management experience covering corporate planning, group restructuring, business development, project injection, merger and acquisition. Mr. Tse also has about 20 years experience in electronic manufacturing field. Mr. Tse has a Bachelor degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman and executive director of Climax International Company Limited (stock code: 439), a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). Mr. Tse was also the former chairman and executive director of China Grand Forestry Green Resources Group Limited (stock code: 910) from September 2009 to December 2010, New Times Energy Corporation Limited (stock code: 166) from May 2007 to April 2009, a non-executive director of Climax International Company Limited (stock code: 439) from September 2007 to July 2008 and New Times Energy Corporation Limited (stock code: 166) from May 2009 to November 2009.

Mr. Yu Pak Yan, Peter

Executive Director

aged 59, joined the Group on 1 August 2008 and is also the director of certain subsidiaries of the Company. Mr. Yu has over 29 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor degree in Management from Youngstown State University in Ohio, USA and a Master of Science degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently an independent non-executive director of Golden Resorts Group Limited (stock code:1031), M Dream Inworld Limited (stock code: 8100) and China Grand Forestry Green Resources Group Limited (stock code: 910).

Mr. Lau Man Tak

Independent Non-executive Director

aged 41, joined the Group on 1 September 2008 and is the chairman of audit committee and the member of remuneration committee of the Company. Mr. Lau graduated from Hong Kong Polytechnic University with a Bachelor degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), an independent non-executive director of Golden Resorts Group Limited (stock code: 1031), Climax International Company Limited (stock code: 439) and Guojin Resources Holdings Limited (stock code: 630). Mr. Lau was also a former executive director of Warderly International Holdings Limited (stock code: 607) from December 2007 to January 2010.

Biographical Details of Directors and Senior Management

Mr. Man Kwok Leung

Independent Non-executive Director

aged 64, joined the Group on 2 June 2009 and is member of audit committee and remuneration committee of the Company. a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. He is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Climax International Company Limited (stock code: 439) and Hua Yi Copper Holdings Limited (stock code: 559).

Dr. Wong Yun Kuen

Independent Non-executive Director

aged 53, joined the Group on 20 April 2007 and is the chairman of remuneration committee and the member of audit committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at the Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768). Dr. Wong is also an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Climax International Company Limited (stock code: 439), Golden Resorts Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910) and New Island Printing Holdings Limited (stock code: 377). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009, Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010. Dr. Wong was also an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

Ms. Tsang Kwai Ping

Company Secretary

Joined the Group on 30 November 2009. Ms. Tsang is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Tsang has extensive experiences in auditing and financial management.

Directors' Report

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are properties investment, manufacture and sales of life-like plants and securities investment.

Major Customers and Suppliers

During the year, the Group's five largest suppliers accounted for 58.3% of the Group's total purchases. The largest supplier accounted for 18.5% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 93.5% of the Group's total sales. The largest customer accounted for 86.5% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors, own more than 5% of the Company's issued share capital has a beneficial interest in any of the Group's five largest suppliers or customers.

Results

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 22 to 23.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 27 and other details of the reserves of the Company and the Group are set out in note 39 to the financial statements.

Distributable Reserves

At 31 December 2010, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$126,958,000, may be distributed in the form of fully paid bonus shares.

Fixed Assets

Details of movements during the year in the investment properties, property, plant and equipment and prepaid lease payment of the Group are set out in notes 20, 21 and 22 to the financial statements respectively.

Directors' Report

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 100. This summary does not form part of the audited consolidated financial statements.

Share Capital, Share Options and Warrants

Details of movements in the Company's share capital, share options and warrants during the year are set out in respective notes 38, 40 and 41 to the consolidated financial statements.

Convertible Bonds

Details of movements in the Company's convertible bonds during the year are set out in note 35 to the financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Hong Kong.

Purchase, Redemption or Sale of Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Directors

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

Executive directors

Tse On Kin *(Chairman)*
Yu Pak Yan, Peter

Independent non-executive directors

Lau Man Tak
Man Kwok Leung
Wong Yun Kuen

In accordance with articles 81 to 84 of the Company's articles of association, Mr. Yu Pak Yan, Peter and Mr. Lau Man Tak will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

Biographical details of the directors and senior management of the Company are set out on pages 7 to 8.

Directors' Interest in Contracts

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

Directors' and Chief Executives' Interests in Shares

At 31 December 2010, none of the directors or chief executives of the Company or their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and Chief Executives' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or chief executives or their spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial Shareholders

At 31 December 2010, the following shareholder had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of Ordinary shares held	Percentage of issued share capital
Ho Kam Hung	Beneficial owner	50,040,600	6.96

Save as disclosed above, at 31 December 2010, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Contracts

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

Connected Transactions

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

Audit Committee

The Audit Committee has three independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial report matters including a review of the audited consolidated financial statements for the year ended 31 December 2010.

Auditors

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tse On Kin
Chairman

Hong Kong
21 March 2011

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2010.

Corporate Governance Practices

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") during the year under review, save for the deviation from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraph in this report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The company does not have any officer with the title of "chief executive officer". Mr. Tse On Kin, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

The Board of Directors

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic, decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Composition

The Board currently comprises two executive directors and three independent non-executive directors from different business and professional fields. The directors, including independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board of the Company comprises the following directors:

Executive Directors:
Tse On Kin
Yu Pak Yan, Peter

Independent non-executive Directors:
Lau Man Tak *(Chairman of Audit Committee and member of Remuneration Committee)*
Man Kwok Leung *(Member of Audit and Remuneration Committee)*
Wong Yun Kuen *(Chairman of Remuneration Committee and member of Audit Committee)*

The profiles of each director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report.

The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of the responsibilities.

Corporate Governance Report

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 9 times during the year ended 31 December 2010.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Minutes of all Board meetings sufficient details of matters considered and decisions reached are kept by the secretary of the meetings are open for inspection by the directors. The attendance of individual members of the Board and other Board Committees meetings during the year ended 31 December 2010 is set out in the table below:

	Meetings attended/held		
	Board of Directors	**Audit Committee**	**AGM/EGM**
Executive directors			
Tse On Kin	8/9	N/A	1/1
Yu Pak Yan, Peter	9/9	N/A	1/1
Independent non-executive directors			
Lau Man Tak	4/9	1/2	0/1
Man Kwok Leung	8/9	2/2	1/1
Wong Yun Kuen	8/9	2/2	0/1

Board Committees

The Board has established 2 committees, namely the audit committee and the remuneration committee for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference.

The majority of the members of each Board Committees are independent non-executive directors. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Remuneration Committee

The remuneration committee comprises three independent non-executive directors of the Company, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Dr. Wong Yun Kuen is the chairman of the remuneration committee.

Corporate Governance Report

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Audit Committee

The audit committee comprises three independent non-executive directors of the Company, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Mr. Lau Man Tak is the chairman of the audit committee. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The main duties of the audit committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held two meetings during the year ended 31 December 2010 to review the financial results and report of the Company.

Corporate Governance Report

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the year ended 31 December 2010.

Responsibilities in Respect of The Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 December 2010, directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis. The reporting responsibilities of the Company's independent auditors are set out in the Independent Auditor's Report on pages 20 to 21.

External Auditors' Remuneration and Reporting

For the year ended 31 December 2010, the remuneration in respect of the services rendered by the Group's external auditors is set out as follows:

Services rendered for the Group	**SHINEWING (HK) CPA Limited** *HK$'000*
Audit services	650
Non-audit services (including taxation services, professional services rendered in relation to agreed upon procedures)	146
Total	796

Investor Relations and Communications

To promote the relationship between the Company and investor and to enhance the transparency of the operation of the enterprise, the Board is committed to provide clear and updated information of the Company to shareholders through the publication of notices, circulars, interim and annual reports.

Internal Control

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implement an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group.

The management is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

During the year, the Board has implemented recommendations proposed by the independent consultant in the review report for the year ended 31 December 2009 according to the timetable. The Board has also conducted a review of the effectiveness of the internal control system of the Company.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF KONG SUN HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 99, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

In our opinion, the 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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
21 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing Operations			
Turnover	7	**84,262**	90,705
Sales of life-like plants		**82,006**	88,268
Properties rental income		**1,702**	1,685
		83,708	89,953
Cost of sales		**(72,261)**	(70,471)
Gross profit		**11,447**	19,482
Loss on fair value changes of held for trading investments		**(1,120)**	(1,772)
(Loss) gain on disposal of held for trading investments		**(67)**	105
Other revenue	9	**6,711**	7,463
Distribution and selling expenses		**(3,718)**	(3,607)
Administrative expenses		**(30,069)**	(24,457)
Finance costs	10	**(3,243)**	(10,523)
Fair value change of convertible bonds designated as financial liabilities at fair value through profit or loss		**4,306**	(21,864)
Loss on early redemption of promissory note		**(9,577)**	–
Gain on disposal of subsidiaries	42	**–**	24,433
Loss before tax		**(25,330)**	(10,740)
Income tax credit (expense)	11	**492**	(1,694)
Loss for the year attributable to owners of the Company from continuing operations	12	**(24,838)**	(12,434)
Discontinued Operation			
Profit for the year attributable to owners of the Company from discontinued operation	13	**–**	16
Loss for the year attributable to owners of the Company		**(24,838)**	(12,418)
Loss per share	17		
From continuing and discontinued operations			
Basic and diluted		**HK(4.81) cents**	HK(4.35) cents
From continuing operations			
Basic and diluted		**HK(4.81) cents**	HK(4.36) cents

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(24,838)**	(12,418)
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations	**–**	(201)
Gain on fair value changes available-for-sale financial assets	**10,188**	–
Other comprehensive income (expense) for the year	**10,188**	(201)
Total comprehensive expenses for the year attributable to owners of the Company	**(14,650)**	(12,619)

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties	20	**57,160**	50,315
Property, plant and equipment	21	**35,756**	37,266
Prepaid lease payments	22	**14,421**	14,894
Available-for-sale financial assets	24	**28,132**	–
		135,469	102,475
Current assets			
Inventories	25	**14,325**	13,001
Trade receivables	26	**1,362**	3,623
Other receivables and prepayments	27	**2,552**	3,082
Prepaid lease payments	22	**473**	473
Held for trading investments	30	**4,822**	4,063
Tax recoverable		**–**	126
Pledged bank deposits	31	**7,018**	6,962
Time deposits with maturities over three months	32	**118,721**	–
Bank balances and cash	32	**16,642**	118,634
		165,915	149,964
Current liabilities			
Trade and other payables	33	**16,285**	10,750
Convertible bonds designated as financial liabilities at fair value through profit or loss	35	**7,294**	–
		23,579	10,750
Net current assets		**142,336**	139,214
Total assets less current liabilities		**277,805**	241,689
Non-current liabilities			
Convertible bonds designated as financial liabilities at fair value through profit or loss	35	**–**	11,600
Promissory notes	36	**–**	23,130
Deferred tax liabilities	37	**12,403**	12,895
		12,403	47,625
Net assets		**265,402**	194,064

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	*38*	**143,793**	83,782
Reserves	*39*	**121,609**	110,282
Total equity		**265,402**	194,064

The financial statements on pages 22 to 99 were approved and authorised for issue by the board of directors on 21 March 2011 and are signed on its behalf by:

Director

Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	18	**–**	–
Current assets			
Other receivables and prepayments	27	**1,521**	268
Amounts due from subsidiaries	19	**228,801**	186,893
		230,322	187,161
Current liabilities			
Other payables	33	**6,430**	6,417
Convertible bonds designated as financial liabilities at fair value through profit or loss	35	**7,294**	–
		13,724	6,417
Net current assets		**216,598**	180,744
Total asset less current liabilities		**216,598**	180,744
Non-current liabilities			
Convertible bonds designated as financial liabilities at fair value through profit or loss	35	**–**	11,600
Promissory notes	36	**–**	23,130
		–	34,730
Net assets		**216,598**	146,014
Capital and reserves			
Share capital	38	**143,793**	83,782
Reserves	39	**72,805**	62,232
Total equity		**216,598**	146,014

Director *Director*

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital	Share premium *(Note 39)*	Capital redemption reserve *(Note 39)*	General reserve *(Note 39)*	Special reserve *(Note 39)*	Exchange reserve *(Note 39)*	Available-for-sale investment revaluation reserve	Share options reserve *(Note 40)*	Warrants reserve *(Note 41)*	(Accumulated losses) Retained earnings	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	320,116	281,049	20	18,000	9,329	8,444	–	–	–	(606,811)	30,147	11	30,158
Loss for the year	–	–	–	–	–	–	–	–	–	(12,418)	(12,418)	–	(12,418)
Other comprehensive income for the year	–	–	–	–	–	(201)	–	–	–	–	(201)	–	(201)
Total comprehensive expenses for the year	–	–	–	–	–	(201)	–	–	–	(12,418)	(12,619)	–	(12,619)
Issue of shares upon placing	81,700	–	–	–	–	–	–	–	–	–	81,700	–	81,700
Transaction costs attributable to issue of shares	–	(2,385)	–	–	–	–	–	–	–	–	(2,385)	–	(2,385)
Issue of shares upon conversion of convertible bonds	342,040	(236,576)	–	–	–	–	–	–	–	–	105,464	–	105,464
Capital reduction *(Note 38(ii))*	(660,074)	63,664	–	–	–	–	–	–	–	596,410	–	–	–
Disposal of subsidiaries	–	–	–	(18,000)	(9,329)	(8,243)	–	–	–	27,329	(8,243)	(11)	(8,254)
At 31 December 2009 and 1 January 2010	83,782	105,752	20	–	–	–	–	–	–	4,510	194,064	–	194,064
Loss for the year	–	–	–	–	–	–	–	–	–	(24,838)	(24,838)	–	(24,838)
Other comprehensive income for the year	–	–	–	–	–	–	10,188	–	–	–	10,188	–	10,188
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	10,188	–	–	(24,838)	(14,650)	–	(14,650)
Issue of shares:													
– upon placing	12,080	12,080	–	–	–	–	–	–	–	–	24,160	–	24,160
– upon open offer	47,931	11,983	–	–	–	–	–	–	–	–	59,914	–	59,914
Transaction costs attributable to issue of shares	–	(2,857)	–	–	–	–	–	–	–	–	(2,857)	–	(2,857)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	3,000	–	–	3,000	–	3,000
Placing of non-listed warrants	–	–	–	–	–	–	–	–	1,917	–	1,917	–	1,917
Transactions costs attributable to issue of warrants	–	–	–	–	–	–	–	–	(146)	–	(146)		(146)
At 31 December 2010	143,793	126,958	20	–	–	–	10,188	3,000	1,771	(20,328)	265,402	–	265,402

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Loss before tax — continuing operations		**(25,330)**	(10,740)
Profit before tax — discontinued operation		**–**	16
Loss before tax		**(25,330)**	(10,724)
Adjustments for:			
Amortisation of prepaid lease payments		**473**	473
Depreciation of property, plant and equipment		**3,133**	2,943
Fair value change of convertible bonds designated as financial liabilities at fair value through profit or loss		**(4,306)**	21,864
Finance costs		**3,243**	10,523
Gain on fair value changes of investment properties		**(5,895)**	(5,315)
Gain on disposal of subsidiaries		**–**	(24,451)
Interest income		**(437)**	(261)
Loss (gain) on disposal of held for trading investments		**67**	(105)
Loss on early redemption of promissory note		**9,577**	–
Loss on fair value changes of held for trading investments		**1,120**	1,772
Other borrowing waived by the lender		**–**	(261)
Payables waived by creditors		**–**	(783)
Share-based payment expense		**3,000**	–
Operating cash flows before movements in working capital		**(15,355)**	(4,325)
Increase in available-for-sale financial assets		**(17,944)**	–
(Increase) decrease in inventories		**(1,324)**	4,831
Decrease in trade receivables		**2,261**	11,006
Decrease (increase) in other receivables and prepayments		**530**	(2,374)
Increase in held for trading investments		**(1,946)**	(5,730)
Increase (decrease) in trade and other payables		**5,535**	(12,707)
Cash used in operations		**(28,243)**	(9,299)
Income tax refunded (paid)		**126**	(481)
NET CASH USED IN OPERATING ACTIVITIES		**(28,117)**	(9,780)
INVESTING ACTIVITIES			
Increase in time deposits with maturities over three months		**(118,721)**	–
Purchases of property, plant and equipment		**(1,623)**	(4,771)
Additions of investment properties		**(950)**	—
Increase in pledged bank deposits		**(56)**	(194)
Interest received		**437**	261
Net cash outflows from disposal of subsidiaries	43	**–**	(12)
NET CASH USED IN INVESTING ACTIVITIES		**(120,913)**	(4,716)

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of shares upon open offer	**59,914**	–
Proceeds from issue of shares upon placing	**24,160**	81,700
Proceeds from placing of warrants	**1,917**	–
Repayments of promissory note	**(33,800)**	(13,445)
Payment for shares issue costs	**(2,857)**	(2,385)
Interest paid	**(2,150)**	(8,018)
Payment for warrants issue costs	**(146)**	–
Repayments of other borrowings	**–**	(2,723)
NET CASH FROM FINANCING ACTIVITIES	**47,038**	55,129
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(101,992)**	40,633
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**118,634**	78,202
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**–**	(201)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**16,642**	118,634

Notes to the Financial Statements

For the year ended 31 December 2010

1. General Information

Kong Sun Holdings Limited (the "Company") is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in note 18(b).

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong — Interpretation ("INT") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretation Committee) ("HK (IFRIC)") — INT 17	Distribution of Non-cash Assets to Owners

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the financial statements of the Group for the current or prior accounting periods.

Results, of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendments to HKAS 17 had no material effect on the consolidated financial statements.

The adoption of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 February 2010.

[3] Effective for annual periods beginning on or after 1 July 2010.

[4] Effective for annual periods beginning on or after 1 January 2011.

[5] Effective for annual periods beginning on or after 1 July 2011.

[6] Effective for annual periods beginning on or after 1 January 2012.

[7] Effective for annual periods beginning on or after 1 January 2013.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at 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.

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

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

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. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (Revised) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (Revised) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company do not anticipate that the application of the amendments to HKAS 12 will have any significant impact on deferred tax recognised.

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.

The directors of the Company anticipate that the application of other new and revise standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 in full on consolidation.

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

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 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.

3. Significant Accounting Policies *(continued)*

Investments in subsidiaries

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are initial recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. Significant Accounting Policies *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Prepaid lease payments

Prepaid lease payments represent lease prepayments paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. Significant Accounting Policies *(continued)*

Leasing *(continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has been passed.

Gains or losses on sales of trading securities are recognised on a trade date basis when the relevant transactions are executed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised on a straight-line basis over the terms of the leases.

3. Significant Accounting Policies *(continued)*

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.

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

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 (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies *(continued)*

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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 associates, 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.

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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements 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 or 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 financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading.

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
- on initial recognition, 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.

Financial assets at FVTPL are measured at fair value, with change in fair value arising on 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. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from subsidiaries, pledged bank deposits, time deposits with maturities over three months and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy on impairment losses on financial assets below).

Available-for-sale financial assets

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

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 in available-for-sale investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment losses on financial assets below).

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment losses on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the 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:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, other receivables and amounts due from subsidiaries, 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.

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, other receivable or amount due from a subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment losses on financial assets (continued)

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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale financial assets will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the available-for-sale investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

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, the shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL of which the interest expenses is included in net gains or losses.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities designated at FVTPL on initial recognition.

A financial liability is designated as at FVTPL upon initial recognition if:

- such designation 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 measured at fair value, with changes in fair value arising on 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 interest paid on the financial liabilities.

Convertible bonds

Convertible bonds issued by the Company (including related embedded derivatives) are designated as financial liabilities at FVTPL.

Other financial liabilities

Other financial liabilities including (trade and other payables, amounts due to subsidiaries and promissory notes) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant 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 warrant reserve will be transferred to the retained earnings/accumulated losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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.

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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies *(continued)*

Share-based payment transactions

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share options reserve.

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 earnings/accumulated losses.

Share options granted by the Company to consultants of the Group in an equity-settled share-based payment arrangement

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

3. Significant Accounting Policies *(continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment losses in respect of trade receivables

The policy for making impairment losses on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Fair value of convertible bonds designated as financial liabilities at FVTPL

The fair values of the convertible bonds designated as financial liabilities at FVTPL were calculated using the Binomial Model. The models involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation.

Estimated useful lives of property, plant and equipment

The Group's carrying values of property, plant and equipment as at 31 December 2010 was approximately HK$35,756,000 (2009: HK$37,266,000). The Group depreciates the property, plant and equipment over the shorter of the unexpired term of leases and their estimated useful lives, and after taking into account of their estimated residual values, using the straight-line method, at the rates ranging from 2% to 20% per annum, commencing from the date the property, plant and equipment is placed into productive use. The estimated useful life reflects the directors of the Company estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

4. Key Sources of Estimation Uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of property, plant and equipment and prepaid lease payments

The impairment loss for property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy.

The Group evaluates whether property, plant and equipment and prepaid lease payments have suffer any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. No impairment loss in respect of property plant and equipment and prepaid lease payments were recognised for the years ended 31 December 2010 and 2009.

Allowances for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

5. Capital Risk Management

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

The capital structure of the Group consists of debts, which included promissory notes, convertible bonds designated as financial liabilities at FVTPL, pledged bank deposits, time deposits with maturities over three months, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. Financial Instruments

(a) Categories of financial instruments

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**28,132**	–	**–**	–
Held for trading investments	**4,822**	4,063	**–**	–
Loan and receivables (including cash and cash equivalents)	**145,132**	129,478	**228,169**	186,944
Financial liabilities				
Designated as at FVTPL (see below)	**7,294**	11,600	**7,294**	11,600
At amortised cost	**15,237**	32,889	**6,430**	29,547

Financial liabilities designated as at FVTPL

In the management's opinion, the change in the fair value of the financial liabilities is unrepresentative of the change in its credit risk and the exposure is considered as insignificant.

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, trade receivables, other receivables, held for trading investments, pledged bank deposits, time deposits with maturities over three months, bank balances and cash, trade and other payables, convertible bonds designated as financial liabilities at FVTPL and promissory notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments *(continued)*

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 93% (2009: 95%) of the Group's sales and 78% (2009: 83%) of costs are denominated in currencies other than the functional currency of the group entity making the sale and purchase.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollars ("US$")	**10,004**	15,073	**648**	–
Renminbi ("RMB")	**120,747**	1,682	**6,470**	3,297

Sensitivity analysis

The Group is mainly exposed to the US$ and RMB.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in HK$ against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax loss where HK$ strengthen 5% (2009: 5%) against the relevant currency. For a 5% (2009: 5%) weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the loss and the balances below would be negative.

	US$ impact		**RMB impact**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss	**468**	754	**5,714**	(81)

6. Financial Instruments *(continued)*

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

Market risk *(continued)*

(ii) Interest rate risk

As at 31 December 2010 and 2009, the Group and the Company was exposed to fair value interest rate risk in relation to fixed-rate convertible bonds designated as financial liabilities at FVTPL and promissory notes (see notes 35 and 36 respectively for details).

The Group was also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, time deposits with maturities over three months and bank balances (see notes 31 and 32 respectively for details) for the two years ended 31 December 2010 and 2009. The Group's exposure to interest rate risk is minimal as the pledged bank deposits, time deposits with maturities over three months and bank balances have a short maturity period, accordingly, no sensitivity analysis is presented.

The Group currently does not have any interest rate hedging policy.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's other price risk is mainly concentrated on equity instruments listed in Hong Kong.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting date.

If the prices of the respective equity instruments had been 10% (2009: 10%) higher/lower:

- post-tax loss for the year ended 31 December 2010 would decrease/increase by approximately HK$482,000 (2009: decrease/increase by approximately HK$406,000) for the Group as a result of the changes in fair value of held for trading investments; and
- other comprehensive income would increase/decrease by HK$2,813,000 (2009: nil) for the Group as a result of the changes in fair value of available-for-sale financial assets.

6. Financial Instruments *(continued)*

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

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

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's concentration of credit risk by geographical locations in mainly is the United States of America ("USA"), which accounted for 96% (31 December 2009: 97%) of the total trade receivables as at 31 December 2010.

The Group has concentration of credit risk as 96% (31 December 2009: 95%) and 96% (31 December 2009: 99%) of total trade receivables was due from the Group's largest customer and the five largest customers respectively within the manufacturing and sales of life-like plants segment as at 31 December 2010.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. Financial Instruments *(continued)*

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

Liquidity risk *(continued)*

Maturity analysis (continued)

The Group

	On demand/ within one year HK$'000	One to two years HK$'000	More than two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2010					
Trade and other payables	**15,237**	**–**	**–**	**15,237**	**15,237**
Convertible bonds designated as financial liabilities at FVTPL	**41,600**	**–**	**–**	**41,600**	**7,294**
	56,837	**–**	**–**	**56,837**	**22,531**
At 31 December 2009					
Trade and other payables	9,759	–	–	9,759	9,759
Convertible bonds designated as financial liabilities at FVTPL	1,600	41,600	–	43,200	11,600
Promissory notes	970	1,014	35,828	37,812	23,130
	12,329	42,614	35,828	90,771	44,489

The Company

	On demand/ within one year HK$'000	One to two years HK$'000	More than two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2010					
Other payables	**6,430**	**–**	**–**	**6,430**	**6,430**
Convertible bonds designated as financial liabilities at FVTPL	**41,600**	**–**	**–**	**41,600**	**7,294**
	48,030	**–**	**–**	**48,030**	**13,724**
At 31 December 2009					
Other payables	6,417	–	–	6,417	6,417
Convertible bonds designated as financial liabilities at FVTPL	1,600	41,600	–	43,200	11,600
Promissory notes	1,014	1,014	35,828	37,856	23,130
	9,031	42,614	35,828	87,473	41,147

6. Financial Instruments *(continued)*

(c) Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the statements 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 market 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).

- 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).

6. Financial Instruments *(continued)*

(c) Fair value *(continued)*

Fair value measurements recognised in the statements of financial position *(continued)*

	At 31 December 2010		
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Total** *HK$'000*
The Group			
Financial assets at FVTPL			
Listed equity securities	**4,822**	**–**	**4,822**
Available-for-sale financial assets			
Listed equity securities	**28,132**	**–**	**28,132**
The Group and the Company			
Financial liabilities at FVTPL			
Convertible bonds designated as financial liabilities at FVTPL	**–**	**7,294**	**7,294**

	At 31 December 2009		
	Level 1 *HK$'000*	Level 2 *HK$'000*	Total *HK$'000*
The Group			
Financial assets at FVTPL			
Listed equity securities	4,063	–	4,063
The Group and the Company			
Financial liabilities at FVTPL			
Convertible bonds designated as financial liabilities at FVTPL	–	11,600	11,600

There were no transfers between Level 1 and 2 during the two years ended 31 December 2010 and 2009.

Significant assumptions used in determining fair value of financial liabilities

Convertible bonds designated as financial liabilities at FVTPL

The fair value of the convertible bonds designated as financial liabilities at FVTPL is determined assuming whenever it is optimum to exercise both the Company's redemption option and the convertible bonds holders' conversion options, the Company will have the higher priority to exercise its redemption option before the convertible bonds holders exercise their conversion options. Under the above assumption, the fair values of the convertible bonds would not exceed their principal values immediately before the convertible bonds holders exercise their conversion options.

7. Turnover

An analysis of the Group's turnover for the year from continuing operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Sales of life-like plants	**82,006**	88,268
Properties rental income	**1,702**	1,685
Proceeds from disposal of held for trading investments	**554**	752
	84,262	90,705

The direct operating expenses from investment properties that generated rental income amounted to approximately HK$105,000 (2009: HK$184,000) for the year ended 31 December 2010.

8. Segment Information

In prior years, the Group had two operating segments, manufacturing and sales of life-like plants and properties investment, whose operating results were reviewed by the chief operating decision maker for the purpose of resource allocation and performance assessment.

The Group was involved in the rendering of financial services, which was reported as a separate operating segment. That operation was discontinued with effect from 30 November 2009. The segment information reported on the next pages does not include any amounts for the discontinued operation which is described in more detail in note 13.

During 2010, securities investment qualifies as a reportable segment due to the acquisition of additional equity securities by the Group. The Group changes the structure of internal organisation which result in redesignation of its operating segments. Under the new structure of internal organisation, the information reported to the chief operating decision maker is analysed based on nature of business, including (a) manufacturing and sales of life-like plants, (b) properties investment and (c) securities investment, the comparatives are therefore consistent in this regard.

Information regarding the above segments is reported below.

8. Segment Information *(continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 December 2010

	Manufacturing and sales of life-like plants HK$'000	Properties investment HK$'000	Securities investment HK$'000	Total HK$'000
Turnover	**82,006**	**1,702**	**554**	**84,262**
Segment revenue	**82,006**	**1,702**	**—**	**83,708**
Segment (loss) profit	**(12,422)**	**6,914**	**(1,187)**	**(6,695)**
Unallocated corporate operating income				**437**
Unallocated corporate operating expenses				**(10,558)**
Finance costs				**(3,243)**
Fair value change of convertible bonds designated as financial liabilities at FVTPL				**4,306**
Loss on early redemption of promissory note				**(9,577)**
Loss before tax (continuing operations)				**(25,330)**

For the year ended 31 December 2009

	Manufacturing and sales of life-like plants HK$'000	Properties investment HK$'000	Securities investment HK$'000	Total HK$'000
Turnover	88,268	1,685	752	90,705
Segment revenue	88,268	1,685	—	89,953
Segment (loss) profit	(2,848)	6,533	(1,667)	2,018
Unallocated corporate operating income				1,173
Unallocated corporate operating expenses				(5,977)
Finance costs				(10,523)
Fair value change of convertible bonds designated as financial liabilities at FVTPL				(21,864)
Gain on disposal of subsidiaries				24,433
Loss before tax (continuing operations)				(10,740)

8. Segment Information *(continued)*

Segment revenue and results *(continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, interest income, directors' salaries, fair value change of convertible bonds designated as financial liabilities at FVTPL, finance costs, loss on early redemption of promissory note and gain on disposal of subsidiaries.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010 *HK$'000*	2009 *HK$'000*
Segment assets		
Continuing operations:		
Manufacturing and sales of life-like plants	**66,016**	71,616
Properties investment	**57,999**	50,771
Securities investment	**33,468**	4,063
Total segment assets	**157,483**	126,450
Unallocated corporate assets	**143,901**	125,989
Consolidated total assets	**301,384**	252,439

	2010 *HK$'000*	2009 *HK$'000*
Segment liabilities		
Continuing operations:		
Manufacturing and sales of life-like plants	**9,402**	3,906
Properties investment	**450**	402
Securities investment	**–**	–
Total segment liabilities	**9,852**	4,308
Unallocated corporate liabilities	**26,130**	54,067
Consolidated total liabilities	**35,982**	58,375

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain other receivables and prepayments, tax recoverable, pledged bank deposits, time deposits with maturities over three months and bank balances and cash as these assets are managed on a group basis.

- all liabilities are allocated to reportable segments other than certain other payables, deferred tax liabilities, convertible bonds designated as financial liabilities at FVTPL and promissory notes as these liabilities are managed on a group basis.

8. Segment Information *(continued)*

Other segment information

2010 — Continuing operation

	Manufacturing and sales of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	1,407	1,166	–	–	2,573
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	2,979	154	–	–	3,133
Gain on fair value changes of investment properties	–	(5,895)	–	–	(5,895)
Loss on fair value changes of held for trading investments	–	–	1,120	–	1,120
Loss on disposal of held for trading investments	–	–	67	–	67
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	(14)	–	–	(423)	(437)
Finance costs	27	–	–	3,216	3,243
Income tax credit	(363)	(129)	–	–	(492)
Fair value change of convertible bonds designated as financial liabilities at FVTPL	–	–	–	(4,306)	(4,306)
Loss on early redemption of promissory note	–	–	–	9,577	9,577

8. Segment Information *(continued)*

Other segment information *(continued)*

2009 — Continuing operation

	Manufacturing and sales of life-like plants *HK$'000*	Properties investment *HK$'000*	Securities investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(Note)*	4,708	63	–	–	4,771
Amortisation of prepaid lease payments	473	–	–	–	473
Depreciation of property, plant and equipment	2,835	108	–	–	2,943
Gain on fair value changes of investment properties	–	(5,315)	–	–	(5,315)
Loss on fair value changes of held for trading investments	–	–	1,772	–	1,772
Gain on disposal of held for trading investments	–	–	(105)	–	(105)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	(20)	–	–	(241)	(261)
Finance costs	–	–	–	10,523	10,523
Income tax (credit) expense	(411)	2,105	–	–	1,694
Fair value change of convertible bonds designated as financial liabilities at FVTPL	–	–	–	21,864	21,864
Gain on disposal of subsidiaries	–	–	–	(24,433)	(24,433)

Note: Non-current assets excluded those relating to discontinued operation and financial instruments.

8. Segment Information *(continued)*

Revenue from major product and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	2010	2009
	HK$'000	*HK$'000*
Life-like plants	**82,006**	88,268
Office building rental	**1,702**	1,685
	83,708	89,953

Geographical information

The Group's operations are located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**4,318**	2,961	**57,668**	50,761
PRC	**–**	–	**49,669**	51,714
USA	**74,582**	82,721	**–**	–
Others	**4,808**	4,271	**–**	–
	83,708	89,953	**107,337**	102,475

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

8. Segment Information *(continued)*

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**72,387**	81,232

All revenue generated from the major customer relates to the sale of life-like plants.

9. Other Revenue

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Gain on fair value changes of investment properties	**5,895**	5,315
Payables waived by creditors	**–**	783
Other borrowing waived by the lender	**–**	261
Interest income	**437**	261
Sundry income	**379**	843
	6,711	7,463

10. Finance Costs

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Interest on convertible bonds designated as financial liabilities at FVTPL	**1,600**	6,552
Interest on promissory notes	**1,616**	3,798
Interest on bank overdrafts	**27**	–
Interest on other borrowings wholly repayable within five years	**–**	173
	3,243	10,523

11. Income Tax (Credit) Expense

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
(Over)underprovision of current tax in prior years:		
Hong Kong Profits Tax	**–**	126
PRC Enterprise Income Tax	**–**	(127)
	–	(1)
Deferred tax *(Note 37)*:		
Current year	**(492)**	1,695
	(492)	1,694

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follow:

	2010	2009
	HK$'000	*HK$'000*
Loss before tax (from continuing operations)	**(25,330)**	(10,740)
Tax at the domestic income tax rate at 16.5% (2009: 16.5%)	**(4,179)**	(1,772)
Tax effect of expenses not deductible for tax purpose	**3,688**	6,496
Tax effect of income not taxable for tax purpose	**(2,081)**	(4,151)
Tax effect of tax loss not recognised	**2,893**	1,885
Tax effect of deductible temporary differences not recognised	**87**	–
Utilisation of tax losses previously not recognised	**–**	(162)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(900)**	(601)
Overprovision in prior years	**–**	(1)
Income tax (credit) expense	**(492)**	1,694

Details of the deferred tax liabilities are set out in note 37.

12. Loss for The Year

Loss for the year from continuing operations has been arrived at after charging:

	2010	2009
	HK$'000	*HK$'000*
Auditor's remuneration	**650**	620
Staff costs:		
Directors' remuneration *(Note 14)*	**300**	355
Wages, salaries and other benefits	**14,378**	9,621
Share-based payment expense *(Note 15)*	**447**	–
Retirement benefit costs (excluding directors)	**360**	326
Total staff costs	**15,485**	10,302
Share-based payment expense *(Note)*	**3,000**	—
Cost of inventories recognised as an expense	**72,261**	70,471
Amortisation of prepaid lease payments	**473**	473
Depreciation of property, plant and equipment	**3,133**	2,943
Operating lease rental on rented premises	**536**	536
Net foreign exchange losses	**1,889**	525

Note: Share-based payment expense included the amount of approximately HK$447,000 in relation to the share options granted to an employee as set out in the staff costs.

13. Discontinued Operation

During the year ended 31 December 2009, the Group entered into an agreement to dispose of its 100% interest in Pacpo Investments Limited ("Pacpo Investments"), which carried out of the Group's financial services operation. The disposal was effected for the management of the Group to focus on the Group's other more profitable businesses. The disposal was completed on 30 November 2009 on which date control of Pacpo Investments was passed to the acquirer.

The profit for the year from the discontinued operation was analysed as follows:

	2009
	HK$'000
Loss on financial services operation for the year	2
Gain on disposal of financial services operation *(Note 43)*	(18)
	(16)

13. Discontinued Operation *(continued)*

The result of the financial services operation for the period from 1 January 2009 to 30 November 2009, which had been included in the consolidated income statement, was as follows:

	Period ended 30 November 2009 *HK$'000*
Turnover	–
Administrative expenses	(2)
Loss before tax	(2)
Income tax expense	–
Loss for the period	(2)

No cash flows had been generated in Pacpo Investments for the year end 31 December 2009.

The carrying amounts of the assets and liabilities of Pacpo Investments at the date of disposal are disclosed in note 43.

14. Directors' Remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is stated as follows:

For the year ended 31 December 2010

	Directors' fees *HK$'000*	**Salaries, allowances and benefits in kind** *HK$'000*	**Retirement benefit costs** *HK$'000*	**Total** *HK$'000*
Executive directors:				
Tse On Kin	**60**	**–**	**–**	**60**
Yu Pak Yan, Peter	**60**	**–**	**–**	**60**
Independent non-executive directors:				
Lau Man Tak	**60**	**–**	**–**	**60**
Man Kwok Leung	**60**	**–**	**–**	**60**
Wong Yun Kuen	**60**	**–**	**–**	**60**
	300	**–**	**–**	**300**

14. Directors' Remuneration *(continued)*

For the year ended 31 December 2009

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement benefit costs *HK$'000*	Total *HK$'000*
Executive directors:				
Tse On Kin	60	–	–	60
Yu Pak Yan, Peter	60	–	–	60
Chan Chi Yuen (resigned on 30 November 2009)	55	–	–	55
Independent non-executive directors:				
Lau Man Tak	60	–	–	60
Man Kwok Leung (appointed on 2 June 2009)	35	–	–	35
Wong Yun Kuen	60	–	–	60
Lo Miu Sheung, Betty (retired on 2 June 2009)	25	–	–	25
	355	–	–	355

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

No director waived or agreed to waive his emoluments in the two years ended 31 December 2010 and 2009.

15. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, no director (2009: four) of the Company whose remunerations are included in note 14 above. The emolument of the remaining five (2009: one) individuals were as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,118**	354
Retirement benefit costs	**34**	–
Share-based payment expense	**447**	–
	2,599	354

The emolument was within the following band:

	Number of individuals	
	2010	2009
Nil–HK$1,000,000	**5**	1

For the two years ended 31 December 2010 and 2009, no emoluments were paid by the Group to the five highest paid individuals (including directors of the Company and other employees) as an inducement to join or upon joining the Group, or as a compensation for loss of office.

16. Dividend

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

17. Loss Per Share

From continuing and discontinued operations

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

	2010	2009
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share	**(24,838)**	(12,418)

Number of shares

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**516,526**	285,324

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(24,838)**	(12,418)
Less: Profit for the year from discontinued operation	**–**	(16)
Loss for the purpose of basic loss per share from continuing operations	**(24,838)**	(12,434)

17. Loss Per Share *(continued)*

From discontinued operation

For the year ended 31 December 2009, basic earnings per share for the discontinued operation was HK0.01 cents per share and diluted earning per share for the discontinued operation was HK0.01 cents per share which was based on the profit for the year ended 31 December 2009 from the discontinued operation of HK$16,000 and the denominators detailed above for basic and diluted loss per share.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share from continuing operations for the year ended 31 December 2010.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding warrants since their exercise would result in a decrease in loss per share from continuing operations for the year ended 31 December 2010.

The computation of diluted loss per share does not assume the exercise of the Company's outstanding convertible bonds because the exercise price of the convertible bonds was higher than the average market price for shares for both years.

18. Investments in Subsidiaries

	The Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	–	5,000)
Less: Impairment loss	–	(5,000)
	–	–

(a) Impairment loss recognised in respect of investments in subsidiaries

As at 31 December 2009, the amount of approximately HK$5,000,000 mainly represented the investment cost in a subsidiary, namely Peace Hill Securities Company Limited ("Peace Hill"). The main assets of Peace Hill were the investments in a subsidiary, namely Dual Aim Sdn. Bhd. That had been disposed of together with the disposal of Healthy Profit Enterprises Limited and its subsidiaries ("Health Profit Group") during the year ended 31 December 2009. The directors of the Company were of the view that Peace Hill would not have any value to the Company and the carrying amount of the investment in Peace Hill was fully impaired.

During the year ended 31 December 2010, Peace Hill was deregistered. No profit or loss has been recognised on the deregistration of Peace Hill.

18. Investments in Subsidiaries *(continued)*

(b) The following list contains only the particulars of subsidiaries which in the opinion of the directors of the Company, those subsidiaries principally affect the results, assets and liabilities of the Group as at 31 December 2010 and 2009. To give details of other subsidiaries would in the opinion of the directors of the Company, result in particulars of excessive length. The class of shares held is ordinary unless otherwise stated. Other than Peace Hill, there was no change in effective interests in the below subsidiaries during the year ended 31 December 2010 and 2009.

			Proportion of nominal value of issued and paid up capital			
Name of company	**Place of incorporation and operation**	**Particulars of issued and paid up capital/registered capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Coast Holdings Limited	Hong Kong	100,000 shares of HK$1 each	100%	–	100%	Properties investment
Kingston Property Investment Limited	Hong Kong	20,000 shares of HK$1 each	100%	–	100%	Properties investment
Dongguan United Art Plastic Products Limited	The PRC	HK$49,000,000 (RMB55,066,200)	100%	–	100%	Manufacturing and sales of life-like plants
FT Far East Limited	Hong Kong	2 shares of HK$1 each	100%	–	100%	Sales of life-like plants
FT China Limited	Hong Kong	2 shares of HK$1 each	100%	–	100%	Investment holding
Peace Hill	Hong Kong	5,000,000 shares of HK$1 each	– (2009: 100%) *(Note)*	– (2009: 100%)	–	Investment holding
Star Wave Investments Limited	Hong Kong	1 share of HK$1 each	100%	100%	–	Inactive

Note: The subsidiary has been deregistered during the year ended 31 December 2010.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

19. Amounts Due from Subsidiaries

	The Company	
	2010	2009
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**234,193**	257,187
Less: Impairment loss recognised	**(5,392)**	(70,294)
	228,801	186,893

(a) The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

The operating performance of the subsidiaries was unsatisfactory due to intense competition. In the opinion of the directors of the Company, it is uncertain that sufficient cash flows would be generated by the subsidiaries in the foreseeable future as the subsidiaries suffered financial difficulties and sustained losses. In view of the uncertainty of the recovery of the outstanding balance in those subsidiaries which sustained losses and had poor operating performance and that the subsidiaries were not financially capable of repaying to the Company, the directors of the Company concluded that it is appropriate to make an impairment loss on the amounts due from subsidiaries. As at 31 December 2010, there is accumulated impairment losses of approximately HK$5,392,000 (2009: HK$70,294,000) recognised on the amounts due from subsidiaries, after considering the profitability, financial positions, cash flows and future prospects of these subsidiaries, and certain key assumptions. Further details are set out in note 19 (b). The directors of the Company consider that the accumulated impairment losses are sufficient.

(b) Movements of impairment losses recognised in respect of amounts due from subsidiaries are analysed as follows:

	The Company	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**70,294**	598,973
Disposal of subsidiaries	**–**	(580,741)
Impairment loss recognised during the year	**–**	52,062
Amounts written off as uncollectible	**(64,902)**	–
At 31 December	**5,392**	70,294

20. Investment Properties

	The Group 2010 HK$'000	2009 HK$'000
FAIR VALUE		
At 1 January	**50,315**	45,000
Additions	**950**	—
Net increase in fair value recognised in profit or loss	**5,895**	5,315
At 31 December	**57,160**	50,315

The investment properties of the Group are situated in Hong Kong and held under long-term leases.

The fair value of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that day by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. Grant Sherman Appraisal Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Group leases out certain investment properties under operating leases, for an initial period of 1 to 3 years, with an option to renew on renegotiated terms.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Financial Statements

For the year ended 31 December 2010

21. Property, Plant and Equipment

The Group

	Buildings	Leasehold Improvement	Plant and Machinery	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2009	28,215	1,521	5,535	167	35,438
Additions	–	4,686	22	63	4,771
At 31 December 2009 and 1 January 2010	28,215	6,207	5,557	230	40,209
Additions	–	1,176	230	217	1,623
At 31 December 2010	28,215	7,383	5,787	447	41,832
DEPRECIATION					
At 1 January 2009	–	–	–	–	–
Provided for the year	842	1,263	736	102	2,943
At 31 December 2009 and 1 January 2010	842	1,263	736	102	2,943
Provided for the year	842	1,450	743	98	3,133
At 31 December 2010	1,684	2,713	1,479	200	6,076
CARRYING VALUES					
At 31 December 2010	26,531	4,670	4,308	247	35,756
At 31 December 2009	27,373	4,944	4,821	128	37,266

The buildings are situated on leasehold land outside Hong Kong and held under medium-term lease.

The above property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 50 years
Leasehold improvement	Over the shorter of the term of the lease, or 5 years
Plant and machinery	6.67%
Furniture, fixtures and equipment	20%

22. Prepaid Lease Payments

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	**473**	473
Non-current asset	**14,421**	14,894
	14,894	15,367

The prepaid lease payments represent the leasehold land outside Hong Kong and held under medium-term leases.

23. Interests in Associates

During the year ended 31 December 2009, the Group had disposed of its associates, which full impairment loss had been recognised in previous years, together with the disposal of Pacpo Hong Kong Company Limited and its subsidiaries ("Pacpo HK Group") (Note 43).

The summarised unaudited financial information for the period from 1 January 2009 to 30 November 2009 (the date of disposal) in respect of the Group's associates is set out below:

	As at 30 November 2009 *HK$'000*
Total assets	620,546
Total liabilities	(387,994)
Net assets	232,552
Group's share of net assets of associates	48,143

No revenue was generated nor profits was contributed by the associates for the period from 1 January 2009 to 30 November 2009 (the date of disposal).

24. Available-for-Sale Financial Assets

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**28,132**	–

During the year ended 31 December 2009, the Group had disposed of its available-for-sale financial assets, which full impairment loss had been recognised in previous years, together with the disposal of the Healthy Profit Group (Note 43).

25. Inventories

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**12,573**	11,126
Work in progress	**1,127**	1,383
Finished goods	**625**	492
	14,325	13,001

26. Trade Receivables

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**1,362**	3,623

The Group allows a credit period normally ranging from 0 day to 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	The Group	
	2010	2009
	HK$'000	*HK$'000*
1 to 30 days	**46**	182
31 to 90 days	**565**	1,342
91 to 180 days	**740**	2,041
181 to 360 days	**–**	–
1 to 2 years	**11**	29
Over 2 years	**–**	29
	1,362	3,623

26. Trade Receivables *(continued)*

The ageing analysis of trade receivables that are past due but not impaired is as follow:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
1 to 30 days	**741**	117
31 to 90 days	**–**	10
91 to 180 days	**–**	2,041
181 to 360 days	**–**	–
1 to 2 years	**11**	29
Over 2 years	**–**	29
Total	**752**	2,226

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Receivables of approximately HK$610,000 (2009: HK$1,397,000) that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant group entities are as follows:

	2010	2009
	'000	*'000*
US$	**172**	452

27. Other Receivables and Prepayments

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**515**	11	**–**	–
Prepayments and deposits	**2,037**	3,071	**1,521**	268
	2,552	3,082	**1,521**	268
Less: Impairment loss recognised	**–**	–	**–**	–
	2,552	3,082	**1,521**	268

The movements of impairment losses recognised in respect of other receivables are analysed as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**–**	369
Exchange realignment	**–**	7
Disposal of subsidiaries	**–**	(376)
At 31 December	**–**	–

At the date of disposal of Pacpo HK Group on 30 November 2009, the amount due from an associate which included in the other receivables were fully impaired as the directors of the Company were in the opinion that the recoverable amount of the amount due from an associate were uncertain due to the prolong ageing and without any settlement for years. The amount due from an associate was unsecured, non-interest bearing and repayable on demand.

28. Loan and Interest Receivables

Secured loan and interest receivable due from a shareholder of an associate

The Group had a loan receivable of approximately HK$39,510,000 and a loan interest receivable of approximately HK$5,358,000 due from a shareholder of United Victoria Sdn. Bhd. (the "Borrower"). Pursuant to the loan agreement, interest is charged at 4% over prime rate per annum. The loan is secured by, as collateral, a pledge of the 20% equity interest in United Victoria Sdn. Bhd. owned by the Borrower. The loan and interest receivables had been disposed of during the year ended 31 December 2009 together with the disposal of subsidiaries (Note 43).

At the date of disposal of subsidiaries, the directors of the Company were of the opinion that the recoverability of the outstanding balances were uncertain due to the prolong ageing and without any settlement for years. Accordingly, the directors of the Company were of the opinion that the accumulated impairment losses of approximately HK$39,510,000 on loan receivable and HK$5,358,000 on loan interest receivable were adequate.

28. Loan and Interest Receivables *(continued)*

Unsecured loans and interest receivables due from independent third parties

The Group had loan receivables of approximately HK$49,683,000 and interest receivables of approximately HK$4,526,000 due from independent third parties. The loan and interest receivables had been disposed of during the year ended 31 December 2009 together with the disposal of subsidiaries (Note 43).

At the date of disposal of subsidiaries, the directors of the Company were of the opinion that the recoverability of the outstanding balances were uncertain due to default in repayment of the outstanding balances which were unsecured and the lost contact with the debtors. Accordingly, the directors of the Company were of the opinion that the accumulated impairment losses of approximately HK$49,683,000 on loan receivables and HK$4,526,000 on interest receivables were adequate.

The movements of impairment losses recognised in respect of loan and interest receivables were analysed as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Loan receivables		
At 1 January	**–**	89,193
Disposal of subsidiaries	**–**	(89,193)
At 31 December	**–**	–
Interest receivables		
At 1 January	**–**	9,884
Disposal of subsidiaries	**–**	(9,884)
At 31 December	**–**	–

29. Consideration Receivable

The amount of approximately HK$7,609,000 represented amount due from Pioneer Heritage Sdn. Bhd., an investee company of the Group, representing the outstanding net consideration receivable on disposal of 65% equity interest in Pioneer Heritage Sdn. Bhd., pursuant to a disposal agreement entered into in year 2003. The consideration receivable had been disposed of during the year ended 31 December 2009 together with the disposal of subsidiaries (Note 43).

In view of the uncertainty of the recovery of the outstanding balance, the directors of the Company made a full impairment on the outstanding net consideration receivable of approximately HK$7,609,000. The impairment of approximately HK$7,609,000 on the consideration receivable was firstly recognised in 2004 as over the years the Group and Pioneer Heritage Sdn. Bhd., were unable to reach a consensus on the terms and schedule of repayment and that the amount under consideration was overdue. Pioneer Heritage Sdn. Bhd., claimed that it was currently in liquidity problem and was short of cash and/or current assets to repay the debts. At the date of disposal of subsidiaries, the directors of the Company were of the opinion that the accumulated impairment loss of approximately HK$7,609,000 was adequate.

The movement of impairment losses recognised in respect of consideration receivable is analysed as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**–**	7,609
Disposal of subsidiaries	**–**	(7,609)
At 31 December	**–**	–

30. Held for Trading Investments

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**4,822**	4,063

31. Pledged Bank Deposits

As at 31 December 2010, pledged bank deposits represent bank deposits of approximately HK$7,018,000 (2009: HK$6,962,000) pledged to banks to secure banking facilities granted to the Group and for the requirement of the PRC customs authorities and are therefore classified as current assets.

The pledged bank deposits carry fixed interest rates at 0.2% to 0.36% per annum (2009: 0.04% to 0.36% per annum).

Included in pledged bank deposits are the following amounts denominated in currency other than the functional currency of the relevant group entities which are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2010	2009
	'000	*'000*
RMB	**1,182**	1,200

32. Time Deposits with Maturities Over Three Months/Bank Balances and Cash

The time deposits with maturities over three months carry fixed interest rates at 0.97% to 1.75% per annum (2009: nil).

Bank balances carry interest at prevailing market rates for both years.

Included in time deposits with maturities over three months and bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant group entities, and certain bank balances are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2010	2009
	'000	*'000*
US$	**1,115**	1,487
RMB	**101,008**	224

33. Trade and Other Payables

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**4,147**	3,315	**–**	–
Other payables and accrued charges	**12,138**	7,435	**6,430**	6,417
	16,285	10,750	**6,430**	6,417

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
1 to 30 days	**7**	120
31 to 90 days	**829**	2,363
91 to 180 days	**3,271**	822
181 to 360 days	**40**	–
Over 1 year	**–**	10
	4,147	3,315

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The Group's trade payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	The Group	
	2010	2009
	'000	*'000*
US$	**83**	–
RMB	**2,949**	2,790

34. Other Borrowings

The Group's other borrowings of approximately HK$1,800,000 due to an independent third party had been disposed of during the year ended 31 December 2009 together with the disposal of subsidiaries (Note 43).

The Group's and the Company's other borrowings of approximately HK$2,770,000 due to an independent third party had been fully repaid during the year ended 31 December 2009.

35. Convertible Bonds Designated as Financial Liabilities at FVTPL

The Group and the Company

	2010	2009
	HK$'000	*HK$'000*
Convertible bonds measured at fair value:		
At 1 January	**11,600**	95,200
Change in fair value	**(4,306)**	21,864
Conversion to shares	**–**	(105,464)
At 31 December	**7,294**	11,600
The balance is analysed into the following component:		
CB 3	**7,294**	11,600

(a) CB 1 and CB 2

On 16 December 2008, the Company issued unsecured convertibles bonds with principal value of HK$100,000,000 ("CB 1") and HK$25,000,000 ("CB 2"), respectively, with maturity date on 16 December 2011. Both CB 1 and CB 2 bore interests at 8% per annum payable semi-annually in arrears on 30 June and 31 December in each year. Details were set out in the Company's circular and announcement dated 31 December 2007 and 6 June 2008, respectively.

The principal terms of CB 1 and CB 2 were as follows:

— The holders of CB 1 and CB 2 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.10 each (subject to adjustment) at any time within three years from the date of issue of CB 1 and CB 2.

— The Company has the right at any time during the conversion period to redeem the whole or part, in multiples of HK$1,000,000, of the principal amount of CB 1 and CB 2.

— The holders of the CB 1 and CB 2 have the right at any time during the period after end of the twenty-four months from the date of issue until the maturity date to redeem the whole or part of the principal amount.

— The Company has the right at any time during the conversion period to mandatorily convert the whole or part of the CB 1 or CB 2 into the Company's shares.

— The holders of the CB 1 and CB 2 are entitled to receive three bonus shares for every new share falling to be allotted and issue upon exercise of the conversion rights attached to the CB 1 and CB 2.

35. Convertible Bonds Designated as Financial Liabilities at FVTPL *(continued)*

The Group and the Company *(continued)*

(a) CB 1 and CB 2 (continued)

During the year ended 31 December 2009, an aggregate of 3,316,000,000 shares of HK$0.10 each (before the capital reduction as set out in note 38) and 1,044,000,000 shares of HK$0.01 each (after the capital reduction as set out in note 38) were issued to the holders of the CB 1 and CB 2 upon the conversions of the convertible bonds with total principal amount of HK$109,000,000 at an average conversion price of HK$0.025 each. CB 1 and CB 2 had been fully converted during the year ended 31 December 2009.

(b) CB 3

On 16 December 2008, the Company issued unsecured convertible bonds with principal value of HK$40,000,000 ("CB 3") upon the completion of the acquisition of FT China Limited and FT Far East Limited. CB 3 bear interests at 4% per annum payable annually in arrear with the first payment to be made on the date falling 12 months from the date of issue and with the maturity date on 16 December 2011.

The principal terms of CB 3 are as follows:

— The holders of CB 3 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.10 each (subject to adjustment) at any time within three years from the date of issue of CB 3. The conversion price of CB 3 has been adjusted to HK$1.70 with effect from 27 October 2010 after the completion of the open offer of the Company (Note 38).

— The holder of the CB 3 have the right at any time during the period after end of the twenty months from the date of issue until the maturity date to redeem the whole or part of the principal amount.

— The Company has the right at any time during the conversion period to mandatorily convert the whole or part of the CB 3 into the Company's shares.

As CB 1, CB 2 and CB 3 contain various embedded derivatives, the directors of the Company determined that the convertible bonds do not contain any equity component and the entire bonds were designated as "financial liabilities at FVTPL" which requires the bonds to be carried at fair value at the end of the reporting period and the changes in fair values are recognised in the consolidated income statement. During the year ended 31 December 2010, a gain on change in fair value of approximately HK$4,306,000 (2009: loss of HK$21,864,000) has been recognised in the consolidated income statement.

35. Convertible Bonds Designated as Financial Liabilities at FVTPL *(continued)*

The Group and the Company *(continued)*

(b) ***CB 3*** *(continued)*

The fair value of CB 3 at the end of each reporting period was calculated using the Binomial Model. The inputs into the model were as follows:

	2010	2009
Stock price	**HK$0.31**	HK$0.58
Exercise price	**HK$1.70**	HK$2.00
Risk-free rate	**0.348%**	0.598%
Volatility	**41.25%**	63.34%

36. Promissory Notes

On 16 December 2008, the Company issued unsecured promissory notes with principal value of HK$13,445,260 ("PN 1") and HK$33,800,000 ("PN 2") upon the completion of the acquisitions of FT China Limited ("FT China"), FT Far East Limited ("FTFE"), Coast Holdings Limited ("CHL") and Kingston Property Investment Limited ("KPIL"). Details of which were set out in the Company's circular dated 31 December 2007.

(a) PN 1

PN 1 bore interests at 4% per annum payable monthly commencing from one month after the date of the issue. PN 1 was repayable in one lump sum on or before six months from the date of the issue or one month after the resumption of trading the shares of the Company on the Stock Exchange, whichever was earlier. The Group had fully settled PN 1 during the year ended 31 December 2009.

(b) PN 2

PN 2 bore interests at 3% per annum payable monthly commencing from one month after the date of the issue. PN 2 was repayable on or before sixty months from the date of the issue of PN 2, that is, 16 December 2013, or such other date as mutually agreed in writing by the Company and the noteholders. The Company had the option to redeem PN 2 in whole or in part at any time after three months from the date of the issue of PN 2 up to the date immediately prior to maturity. The carrying value of PN 2 as at 31 December 2009 amounted to approximately HK$23,130,000. PN2 was early redeemed during the year ended 31 December 2010 with a loss on early redemption amounted to approximately HK$9,577,000.

PN 1 and PN 2 were subsequently measured at amortised cost, using the effective interest rates at 13.30%. The directors of the Company determined that no value had been assigned for the redemption options of the Company as it was considered to be insignificant in value.

37. Deferred Tax Liabilities

The followings are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Revaluation of prepaid lease payment *HK$'000*	Revaluation of investment property *HK$'000*	Accelerated tax depreciation *HK$'000*	Total *HK$'000*
At 1 January 2009	6,838	4,363	–	11,201
(Credit) charge to profit or loss	(285)	877	1,102	1,694
At 31 December 2009 and 1 January 2010	6,553	5,240	1,102	12,895
(Credit) charge to profit or loss	(363)	973	(1,102)	(492)
At 31 December 2010	6,190	6,213	–	12,403

At the end of the reporting period, the Group has unused tax losses of approximately HK$109,264,000 (2009: HK$91,733,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$16,928,000 (2009: HK$5,554,000) that can be carried forward for 5 years from the year in which the respective loss arose. Other losses may be carried forward indefinitely.

38. Share Capital

The Group and the Company

	2010 Number of shares '000	2010 Amount HK$'000	2009 Number of shares '000	2009 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.20 each (2009: HK$0.20)				
At 1 January	**2,000,000**	**400,000**	40,000,000	4,000,000
Capital reduction *(Note (ii))*	**–**	**–**	–	(3,600,000)
Share consolidation *(Note (iv))*	**–**	**–**	(38,000,000)	–
At 31 December	**2,000,000**	**400,000**	2,000,000	400,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each (2009: HK$0.20)				
At 1 January	**418,908**	**83,782**	3,201,167	320,116
Issue of shares upon conversion of convertible bonds *(Note (i))*	**–**	**–**	3,316,000	331,600
Issue of shares upon placing *(Notes (iii) and (vi))*	**60,400**	**12,080**	817,000	81,700
Issue of shares upon conversion of convertible bonds *(Note (v))*	**–**	**–**	1,044,000	10,440
Capital reduction *(Note (ii))*	**–**	**–**	–	(660,074)
Share consolidation *(Note (iv))*	**–**	**–**	(7,959,259)	–
Issue of shares upon open offer *(Note (vii))*	**239,654**	**47,931**	–	–
At 31 December	**718,962**	**143,793**	418,908	83,782

38. Share Capital *(continued)*

The Group and the Company *(continued)*

Notes:

(i) As set out in the Company's announcement dated 5 January 2009, 8 June 2009 and 21 August 2009, an aggregate of 3,316,000,000 shares of HK$0.10 each were issued to the convertible bonds holders upon the partial conversion of the convertible bonds in principal amount of HK$82,900,000 at a conversion price of HK$0.025 each.

(ii) As set out in the Company's announcement dated 19 June 2009, the directors of the Company proposed to reduce the share capital of the Company by cancelling the issued and paid up capital to the extent of HK$0.09 on each of the shares (the "Capital Reduction"). By a resolution passed at the extraordinary general meeting on 22 July 2009 and a court order granted on 3 November 2009, the Capital Reduction became effect on 6 November 2009, the par value of each share is decreased from HK$0.1 to HK$0.01.

(iii) As set out in the Company's announcement dated 29 June 2009, 817,000,000 shares of HK$0.10 each were issued and allotted to the independent third parties at par by placing.

(iv) As set out in the Company's announcement dated 12 November 2009 and a resolution passed at the extraordinary general meeting on 9 December 2009, the Company implemented the share consolidation on the basis that every twenty issued and unissued shares of HK$0.01 each has been consolidated into one consolidated share of HK$0.20 each effective from 10 December 2009.

(v) As set out in the Company's announcement dated 23 November 2009, 1,044,000,000 shares of HK$0.01 each were issued to the convertible bonds holders upon the partial conversion of the convertible bonds in principal amount of HK$26,100,000 at a conversion price of HK$0.025 each after the Capital Reduction became effective.

(vi) As set out in the Company's announcement dated 2 February 2010, 60,400,000 shares of HK$0.20 each were issued and allotted to the independent third parties at the price of HK$0.40 per placing share by placing.

(vii) As set out in the Company's announcement dated 27 October 2010, 239,654,173 shares of HK$0.20 each were issued and allotted at the subscription price of HK$0.25 per offer share on the basis of one offer share for every two existing shares held by the qualifying shareholders by open offer.

All the above shares rank pari passu in all aspects with other shares in issue.

39. Reserves

Reserves of the Company

	Share premium	Capital redemption reserve	Share options reserve	Warrants reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	281,049	20	–	–	(596,411)	(315,342)
Loss and total comprehensive expense for the year	–	–	–	–	(43,539)	(43,539)
Transaction costs attributable to issue of shares	(2,385)	–	–	–	–	(2,385)
Issue of shares upon conversion of convertible bonds	(236,576)	–	–	–	–	(236,576)
Capital reduction	63,664	–	–	–	596,410	660,074
At 31 December 2009 and 1 January 2010	105,752	20	–	–	(43,540)	62,232
Loss and total comprehensive expense for the year	–	–	–	–	(15,404)	(15,404)
Issue of shares:						
— upon placing	12,080	–	–	–	–	12,080
— upon open offer	11,983	–	–	–	–	11,983
Transaction costs attributable to issue of shares	(2,857)	–	–	–	–	(2,857)
Recognition of equity-settled share-based payments	–	–	3,000	–	–	3,000
Placing of non-listed warrants	–	–	–	1,917	–	1,917
Transaction costs attributable to issue of warrants	–	–	–	(146)	–	(146)
At 31 December 2010	126,958	20	3,000	1,771	(58,944)	72,805

39. Reserves *(continued)*

(a) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

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

(ii) General reserve

The general reserve is for general business development.

(iii) Special reserve

The special reserve represents adjustment relating to the Group's share of post acquisition profits and reserves in an investee company which became an associate of the Group in 2003.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy "Foreign Currencies" as stated in note 3.

(v) Share options reserve

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy "Share-based Payment Transactions" as stated in note 3.

(vi) Warrants reserve

Warrants reserve represents the fair value of warrants on the date of issue by the Company recognised in accordance with the accounting policy "Financial Instruments" as stated in note 3.

(b) Distributability of reserves

As at 31 December 2010 and 2009, the Company had no reserve available for distribution to equity holders of the Company.

40. Share-Based Payment Transactions

The Company's share option scheme (the "Share Option Scheme"), was adopted pursuant to a resolution passed on 22 July 2009 for the primary purpose of providing incentives to eligible persons, and will expire on 21 February 2013. Eligible participants of the Share Option Scheme include an employee or is a Director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

Details and the major terms of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group.

(ii) Participants

The directors of the Company may offer to grant an option to any employee or director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

(iii) Terms of options

The share options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the directors of the Company at their absolute discretion and specified in the offer of a share option, which terms and conditions may include (a) vesting conditions which must be satisfied before a share option holder's share option shall become vested and capable of being exercised; and (b) the directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised and/or the minimum period for which a share option must be held before it can be exercised.

(iv) Option price

The option price will be determined by the directors of the Company at their absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of (a) the closing price of the shares of the Company as stated in The Stock Exchange's daily quotations sheet on the date of offer of an option; (b) the average closing price of the shares of the Company as stated in The Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of the shares of the Company.

40. Share-Based Payment Transactions *(continued)*

(v) Maximum number of shares

(1) 10% Limit

(a) The total number of shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue as at the date of adoption of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit in this paragraph.

(b) With the approval of the shareholders of the Company in general meeting, the directors of the Company may "refresh" the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as "refreshed" shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the "refreshed" limit.

Options previously granted (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

(c) Subject to the limits as stated in elsewhere, the directors of the Company may, with the approval of the shareholders, grant options in excess of the 10% limit to participants specifically identified before shareholders' approval is sought. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting such options to the specified participants with an explanation of how the terms of the options will serve the purpose.

(2) 30% Limit

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 shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

40. Share-Based Payment Transactions *(continued)*

(vi) Maximum entitlement of each participant

Subject always to the limits as stated in elsewhere, the directors of the Company shall not grant any options to any participant which, if exercised, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the shares of the Company in issue at such date. The directors of the Company may grant options to any participant in excess of the individual limit of 1% in any 12-month period with the approval of the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

(vii) Time of exercise of options

An option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the directors of the Company as not exceeding 10 years from the date on which a participant is offered such option. The exercise of options may also be subject to any conditions imposed by the directors of the Company at the time of offer.

(viii) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further options will be granted. The directors of the Company may terminate the Share Option Scheme at any time and in such event no further options shall be granted under the Share Option Scheme but any options which have been granted but not yet exercised shall continue to be valid and exercisable.

The old share option scheme which was adopted on 30 June 2003 ("Old Share Option Scheme") had been terminated on 22 July 2009. There was no outstanding share option under the Old Share Option Scheme as at the date of termination.

On 27 October 2010, the Company conducted an open offer of its shares. As a result of completion of open offer, the exercise price and number of share options have been adjusted from HK$0.478 per share and 30,210,000 to HK$0.422 per share and 34,208,382, respectively.

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 34,208,382 (31 December 2009: nil), representing 4.76% (31 December 2009: nil) of the shares of the Company in issue at that date. No consideration is payable on the grant of an option.

40. Share-Based Payment Transactions *(continued)*

Details of option are as follows:

Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
22 February 2010	–	22 February 2010 to 21 February 2013	HK$0.422 per share	HK$0.10 per share

The following table discloses movements of the Company's share options held by employee and consultants during the year:

Category	Date of grant	Outstanding at 1 January 2010	Granted during year	Adjustment according to open offer	Outstanding at 31 December 2010
Employee	22 February 2010	–	4,500,000	595,588	5,095,588
Consultants	22 February 2010	–	25,710,000	3,402,794	29,112,794
		–	30,210,000	3,998,382	34,208,382
Exercisable at the end of the year					34,208,382

The estimated fair value of the options granted on the above-mentioned date was HK$3,000,000. The Group recognised the total expense of HK$3,000,000 for the year ended 31 December 2010 in relation to share options granted by the Company.

The Black-Scholes option pricing model had 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.

This fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2010
Exercise price	HK$0.422
Expected volatility	50.55%
Expected life	1.5 years
Risk-free rate	0.445%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

41. Warrants

As set out in the Company's announcement dated 13 December 2010, the Company has issued 95,860,000 warrants to the subscribers of the offer shares conferring the rights to the holders thereof to subscribe in cash for 95,860,000 ordinary shares of the Company of HK$0.20 per share at an initial exercise price of HK$0.28 per share at any time during the period from 13 December 2010 to 12 December 2012.

The warrants with subscription price of HK$0.02 per share are recognised in the warrants reserve on initial recognition with a fair value of approximately HK$1,917,000.

At 31 December 2010, the Company had outstanding 95,860,000 warrants, the exercise in full of which would result in the issue of 95,860,000 ordinary shares of HK$0.2 each.

42. Litigation

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu as 1st defendant, the Company's former director, and the Company as 2nd defendant for recovering a sum of HK$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors of the Company, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced the Company an aggregate of approximately HK$15,241,000. In 2002, the Company repaid Xswim Group HK$5,600,000 leaving a balance of approximately HK$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors of the Company, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003. As at 31 December 2010 and 2009, with the advices by the Company's legal adviser, the directors of the Company were of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss had been accounted for in these financial statements.

43. Disposal of Subsidiaries

During the year ended 31 December 2009, the Group entered into five agreements with Mr. Kong Li Szu (the "Acquirer"), a former director of the Company, to dispose of its entire interests in Bestwick Limited ("Bestwick"), Pacpo Investments, Healthy Profit Group, Pacpo HK Group and Kong Sun (China) Investment Limited and its subsidiaries ("Kong Sun China Group") (all disposed subsidiaries collectively referred to as the "Disposed Subsidiaries"). Upon the disposal, the Group has also assigned to the Acquirer all the debts due from the Disposed Subsidiaries together with the disposal of the interests in the Disposed Subsidiaries at an aggregate cash consideration of HK$36.

The Group has discontinued its financial services operation upon the disposal of Pacpo Investments (Note 13).

The disposal of Kong Sun China Group was completed on 30 October 2009 while the disposals of Bestwick, Pacpo Investments, Healthy Profit Group and Pacpo HK Group were completed on 30 November 2009, on which dates control of the Disposed Subsidiaries passed to the Acquirer. The net liabilities of the Disposed Subsidiaries at the date of disposals were as follows:

	Continuing operations					Discontinued operation
	Bestwick	**Healthy Profit Group**	**Pacpo HK Group**	**Kong Sun China Group**	**Total**	**Pacpo Investments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total consideration received	–	–	–	–	–	–
Analysis of asset and liabilities over which control was lost						
Interests in an associates	–	–	–	–	–	–
Other receivables	–	8	3	15	26	1
Loan and interest receivables	–	–	–	–	–	–
Consideration receivables	–	–	–	–	–	–
Pledged bank deposits	–	41	–	–	41	–
Bank balances and cash	–	–	3	9	12	–
Trade and other payables	(3)	(14,077)	(259)	(119)	(14,458)	(19)
Amount due to the holding companies	–	(54,554)	(166,215)	(180,350)	(401,119)	(189,752)
Other borrowings	–	(1,800)	–	–	(1,800)	–
Net liabilities disposed of	(3)	(70,382)	(166,468)	(180,445)	(417,298)	(189,770)
Gain on disposal of subsidiaries						
Consideration received	–	–	–	–	–	–
Net liabilities disposed of	(3)	(70,382)	(166,468)	(180,445)	(417,298)	(189,770)
Non-controlling interests	–	(11)	–	–	(11)	–
Debts assigned to the Acquirer	–	54,554	166,215	180,350	401,119	189,752
Exchange reserve realised	–	849	(9,418)	326	(8,243)	–
(Gain) loss on disposal	(3)	(14,990)	(9,671)	231	(24,433)	(18)
Net cash outflow arising on disposal						
Consideration received	–	–	–	–	–	–
Less: cash and cash equivalent balances disposed of	–	–	(3)	(9)	(12)	–
	–	–	(3)	(9)	(12)	–

The impact of Pacpo Investments on the Group's results and cash flows in the current and prior periods is disclosed in note 13.

44. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2010, the total retirement benefit cost charged to the consolidated income statement amounted to approximately HK$360,000 (2009: HK$326,000).

45. Related Party Transactions

(a) As detailed in note 43, the Company has disposed of the Disposed Subsidiaries to Mr. Kong Li Szu, a former director of the Company, at an aggregate consideration of HK$36 during the year ended 31 December 2009.

(b) The Group received rental income amounting HK$480,000 during the year ended 31 December 2010 (2009: HK$160,000) from CJ Capital Investments Limited, of which Mr. Tse On Kin is a common director.

(c) The Group received rental income amounting HK$20,000 during the year ended 31 December 2010 (2009: nil) from Zmay Holdings Limited, of which Mr. Man Kwok Leung and Mr. Wong Yun Kuen are common directors.

(d) The Group paid consultancy fee amounting HK$240,000 during the year ended 31 December 2010 (2009: HK$80,000) to CJ Capital Investments Limited, of which Mr. Tse On Kin is a common director.

(e) The balances with the related parties and the respective terms are disclosed in note 19 and 27, respectively.

(f) Compensation of directors of the Company and key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Short-term benefits	**670**	709

The remuneration of directors of the Company and key executive is determined by the remuneration committee having regards to the performance of individuals and market trends.

46. Operating Lease

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**45**	45

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 1 year (2009: 1 year) with fixed monthly rentals. The operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

The Group as lessor

Property rental income earned during the year was HK$1,702,000 (2009: HK$1,685,000). The properties are expected to generate rental yields of 3.03% (2009: 3.35%) on an ongoing basis. The properties held have committed tenants for the next 1 to 3 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**1,600**	605
In the second to fifth years inclusive	**2,132**	120
	3,732	725

47. Comparative Figures

Certain expenses as shown in the consolidated income statement for the year ended 31 December 2009 has been reclassified and grouped into distribution and selling expenses and administrative expenses to conform with current year presentation. The directors of the Company consider that the new presentation is more meaningful in view of the nature of the relevant expenses.

Five-Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified where appropriate, is set out below :

Results

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**84,262**	90,705	—	—	—
Sales of life-like plants	**82,006**	88,268	—	—	—
Properties rental income	**1,702**	1,685	—	—	—
	83,708	89,953	—	—	—
LOSS BEFORE TAX	**(25,330)**	(10,724)	(43,228)	(17,964)	(12,664)
Income tax credit (expense)	**492**	(1,694)	—	48	—
LOSS FOR THE YEAR	**(24,838)**	(12,418)	(43,228)	(17,916)	(12,664)
ATTRIBUTABLE TO:					
Owners of the Company	**(24,838)**	(12,418)	(43,227)	(17,915)	(12,663)
Non-controlling interests	**—**	—	(1)	(1)	(1)
	(24,838)	(12,418)	(43,228)	(17,916)	(12,664)

Assets and Liabilities and Non-controlling Interests

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**301,384**	252,439	214,485	132,824	138,026
TOTAL LIABILITIES	**(35,982)**	(58,375)	(184,327)	(77,485)	(64,480)
NON-CONTROLLING INTERESTS	**—**	—	(11)	(12)	(13)
	265,402	194,064	30,147	55,327	73,533