South China Land Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155

ANNUAL REPORT 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung, Paul (*Chief Executive Officer*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Director

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors

Dr. Lo Wing Yan, William, J.P.
Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett, J.P.

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Leung Yau Wan, John

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Leung Yau Wan, John

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Committee Chairman*)
Dr. Lo Wing Yan, William, J.P.
Ms. Pong Oi Lan, Scarlett, J.P.

REMUNERATION COMMITTEE

Dr. Lo Wing Yan, William, J.P. (*Committee Chairman*)
Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett, J.P.

AUDITORS

BDO Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
The Bank of East Asia (China) Limited
Huaxia Bank

REGISTERED OFFICE

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

8155

WEBSITE OF THE COMPANY

www.scland.co

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Land Limited 南華置地有限公司 (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2010.

The Group recorded a profit of HK$899 million for the year ended 31 December 2010 compared to a loss of HK$53 million in 2009. The significant improvement in performance was a result of the recognition of an increase in market value of the **Fortuna Plaza** project which commenced operations in October 2010.

FINANCIAL REVIEW

Earnings per share were HK6.38 cents (31 December 2009: loss per share HK1.08 cents), this turn reflects the growth in returns to shareholders.

Net assets, the equivalent of shareholders' funds, similarly continued to grow to HK$2,227 million (December 31, 2009: HK$1,258 million), reflecting the solid investment value to shareholders.

The opening of **Fortuna Plaza** in October contributed a total of HK$844,000 from leasing and management fee incomes to the Group revenue.

Following the business commencement of the **Fortuna Plaza**, more expenses on staff costs were incurred for operational purposes, hence the increase in administrative expenses by 100% to HK$35 million (31 December 2009: HK$17 million).

BUSINESS REVIEW

Property Investment and Development

Shenyang's real estate market entered into a fast growth phase in recent years. According to official statistics, Shenyang's retail property market outperformed all other mainland cities, with the highest income growth and the 7th highest prime rental growth among the top 15 cities in the Peoples Republic of China (the "PRC"). This reinforces the fact that Shenyang is one of the most promising real estate development cities in Mainland China.

The **Fortuna Plaza**, a shopping complex of gross floor area over 110,000 square meters in Shenyang, is our key investment in the PRC pending grand opening in the second quarter of 2011. The profit before income tax of this segment is HK$1,210.9 million for the year ended 31 December 2010 as compared with an operating loss of HK$48.5 million for the year ended 31 December 2009.

Shenyang property projects

The successful marketing campaign resulted in over 70% of the gross rental areas being leased out since the soft opening of **Fortuna Plaza** in October 2010. Upon commencement of the business, it contributed HK$844,000 of leasing and management fee income to the Group's revenue for the year end 31 December 2010. The relatively low rental income is due to the rent-free period granted to the tenants. As at 31 December 2010, the market value of **Fortuna Plaza** was RMB2,250 million, equivalent to HK$2,663 million, based on a valuation report conducted by an independent valuer. This valuable property enhanced the total asset value of the Group to HK$3,636 million (31 December 2009: HK$1,783 million).

With regards to the Dadong district (大東區) property development project which has a site area of 44,916 square meters, it is management's intention to build a shopping complex to house a diversified range of entertainment and recreational facilities, a wide variety of fine dining restaurants and fashionable retail stores. As of 31 December 2010, the Group paid approximately HK$150 million as deposit for acquisition of the land use right. The Group is discussing with the local government on the relocation plan and the construction design of the project in progress.

On 3 March 2010, the Group successfully won the rights, by way of public tender, to another property development project in Huanggu District (皇姑區) with a site area of approximately 67,000 square meters. The total consideration was approximately HK$1,336 million and an initial deposit of approximately HK$267 million was paid. It is the Group's intention to build a multi-purpose development with luxury residential flats, A-grade offices and an upscale shopping mall.

Cangzhou/Hebei property projects

The construction work in Zhongjie (中捷) relocation and redevelopment project was completed. The installation of periphery infrastructure such as electricity and water supplies is at the final stage. Marketing activities were launched in April 2008 and up to 31 December 2010, preliminary cash deposits received was HK$15.7 million. The deposits received were recognised as other payables in the consolidated statement of financial position. The development area of phase one is approximately 6,000 square meters and there remains an additional 130,000 square meters in the vicinity which may become available to the Group for redevelopment

On 5 July 2010, the Group entered into a town development contract with the local authority of Hebei Province for the development of a new town which is situated about 15 kilometers east of Cangzhou City (滄州市), 60 kilometers from Huanghua Port (黃驊港), 120 kilometers from Tianjin and 220 kilometers from Beijing. Huanghua Port is within the Tianjin-Bohai Coastal Economic Development Area (天津渤海沿海經濟開發區). The new town has been selected by the local authority as a strategic location for the development of the area and will be the center of all the government offices of Cang County (滄縣). The site covers a total area of about 24,000 mu, of which about 8,800 mu is reserved for industrial use and about 6,000 mu is reserved for commercial/residential use. The Group's estimated cost for building infrastructure would be in the region of RMB 1 billion.

Publication business

On 24 March 2010, the Company announced that it had entered into an agreement with a company wholly owned by Mr. Ng Hung Sang ("Mr. Ng"), the Chairman and a substantial shareholder of the Company, for the sale of two shares in Media Bonus Limited and the respective shareholder's loan at a consideration of HK$100,000 subject to the approval of the independent shareholders of the Company. Media Bonus Limited and its subsidiaries are wholly owned subsidiaries of the Company and are engaged in the publication business. Following the sale, the Company ceased to engage in publication business on 15 July 2010.

Upon the disposal of all interests in publication business during the year, the Group recorded the gain of HK$3.8 million in this transaction for year ended 31 December 2010. Including this once off gain, the publication segment totally contributed the profit of HK$5.5 million to the Group for the year ended 31 December 2010 (31 December 2009: loss of HK$4.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2010, the Group's operation was financed by internal resources, banking facilities and loans from shareholders. The Board is of the opinion that, after taking into account these available resources, the Group has sufficient working capital for its present requirements.

As a result of the banks loans being classified in the current liabilities upon its repayment term, as at 31 December 2010, the net current liabilities of the Group were HK$464 million (31 December 2009: net current assets of HK$94 million). The board considers that the Group has sufficient resources and supports from shareholders and banking facilities to continue its operation for the foreseeable future. Subsequent to year end, the Company accepted the bank's offer for refinancing the bank borrowings with repayment terms of five years. Up to the date of this report, the refinancing process is at its final stage, subject to finalisation of legal documents and the board is confident that such refinancing will be approved. The majority shareholder of the Company, Mr. Ng Hung Sang, has undertaken to provide financial support to the Group, should the Group fail to refinance the bank borrowings.

As at 31 December 2010, the gearing ratio of the Group was 41.1% (31 December 2009: 29.3%). The gearing ratio is computed on comparing the Group's total bank borrowings and loans from shareholders of HK$915 million to the Group's equity of HK$2,227 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2010, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The maturity profile of bank loans as at 31 December 2010 was as follows:

	HK$ million
Within 1 year	578

Bank loans are on floating rate basis and are denominated in Hong Kong Dollars and Renminbi. Subsequent to year end, the Company accepted the bank's offer for refinancing the bank borrowings with repayment terms of five years. Up to the date of this report, the refinancing process is at its final stage, subject to finalization of legal documents and the board is confident that such refinancing will be approved.

Equity of the Group increased from HK$1,258 million as at 31 December 2009 to HK$2,227 million, which was largely attributable to the loans granted from shareholders.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 24 March 2010, the Company announced that it had entered into an agreement with a company wholly owned by Mr. Ng, the Chairman and a substantial shareholder of the Company, for the sale of two shares in Media Bonus Limited and the respective shareholder's loan at a consideration of HK$100,000 subject to the approval of the independent shareholders of the Company. Media Bonus Limited and its subsidiaries are wholly owned subsidiaries of the Company and are engaged in the publication business. Following the sale, the Company ceased to engage in publication business. Please refer to the Company's announcement made on 24 March 2010 and Company's circular issued on 7 June 2010 for further details. The disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 July 2010 and the transaction was completed on 15 July 2010.

Other than the above, the Group did not make any material acquisition and disposal during the year ended 31 December 2010.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, the Group pledged investment properties of a subsidiary to secure banking facilities and did not have any contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 11 January 2010, the Company announced that it had entered into an agreement (the "Agreement") with South China Industries (BVI) Limited, a company wholly-owned by South China (China) Limited ("SCC"), which is indirectly owned by Mr. Ng, the Chairman and a substantial shareholder of the Company, for the sale of one share in Autowill Limited and the respective shareholder's loan (the "Disposal") at a consideration of HK$24,100,000 subject to adjustment in accordance with the terms of the Agreement. Autowill Limited and its subsidiaries are indirect wholly-owned subsidiaries of the Company and holds interests in subsidiaries which are principally engaged, inter alia, in Agricultural business in the PRC. The Disposal is classified as a connected transaction for the Company, which is scheduled to be completed on 31 March 2011. Following the Disposal, the Company will cease to engage in Agricultural business in the PRC. Please refer to the Company's announcement made on 11 January 2010 for further details.

EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was 192 (2009: 151). Employees' cost (including Directors' emoluments) amounted to HK$33.1 million for the year (2009: HK$22.5 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. An employee share option scheme was adopted by the Company on 24 June 2002 and became effective on 18 July 2002.

PROSPECTS

In 2010, most of the 15 major PRC cities including Shenyang continued to have a broad-based recovery in the property sector. Leasing activities exhibited buoyant performances due to the renewal and relocation of many brands. A new round of tightening measures including home purchase restriction, control on land supply as well as tight monetary policy were released during the last quarter of 2010. However, it did not dampen the luxury residential sales market which was fueled by ample liquidity in the market and robust investment demand underscored by expectation of inflation. Looking forward to 2011, some cities are expected to be faced with relatively large amounts of new supplies, which will definitely bring pressure on market performances to some degree. Given that the fundamentals of the Shenyang economy are strong, the city's housing market is expected to grow steadily in terms of sales volume and price next year.

The mainstream retail property market remains steady across China. Shoppers have not made drastic changes to their shopping habits because of strong growth of individual income. Retail sales of customer goods, income growth and credit policies have all shown positive signs with Shenyang's retail sales growing 18.3% year on year to RMB171.83 billion, equivalent to HK$202.15 billion. Based on this continuous growth of the retail sales, more famous and world-wide stores will enter into this retail market, conducive to boosting up demand for quality shopping malls and the retail leasing market accordingly.

Upon the launch of a successful promotion campaign, a number of quality tenants have been attracted to open their retail shops in **Fortuna Plaza**. We are confident that **Fortuna Plaza** will be in full occupancy in the first half year of 2011. Higher rental income as well as cash flows to the Group will be expected in the coming year accordingly, and this will facilitate the development and marketing of our Dadong District project.

For the new property development project in the Dadong District of Shenyang, the relocation of existing tenants is expected to commence by 1 May 2011. At present, there are blocks of buildings with residents and retail shops on the site and the Government of Shenyang will be responsible for the relocation of those existing tenants on the site. We plan to develop a complex comprising of a commercial retail podium with a gross floor area of over 503,000 square meters and residential towers of approximately 67,000 square meters, making up a total of approximately 570,000 square meters. The development will serve as the landmark development of the Group in the region in addition to **Fortuna Plaza**, creating a centre point for people to retreat and relax. It is estimated that the entire development year will take about four years.

For the new property development project in the Huanggu District of Shenyang, we plan to develop a complex comprising a mega shopping mall, A-grade offices, service apartments and residential towers of total gross floor area of approximately 1,000,000 square meters. The Government of Shenyang will be responsible for the relocation of those existing tenants on the site. The Group intends to create a landmark in Shenyang's third commercial centre. The new development aspires to enhance the proposed Chang Jiang pedestrian shopping street (長江步行購物街), the third largest commercial centre in Shenyang and one of the most important lifestyle shopping districts, by constructing connections by way of roads, streets, footpaths to the existing developments. The brisk development in tourism, entertainment and financial services in Shenyang fits the need to create a new centre point in the region and to provide additional recreational facilities to its neighborhood.

In Hebei, our current relocation projects and land redevelopment projects comprise the Zhongjie and Nandagang (南大港) projects. The progress of the sales procedures and the preparation of legal documentation of the first phase's property in Zhongjie are at the final stage and we are confident that the project will start to bring in revenue contribution to the Group in or about 2011. The Nandagang project involves around 620,000 square meters (930 mu) of site area with the first phase of around 50,000 square meters (75 mu) undergoing design submission with the local government. Phase two of Zhongjie relocation and redevelopment project commenced in 2010. Notwithstanding higher relocation requirements and rising construction costs, we expect the profitability per square metre of the phase two development to improve as local sales prices of property has been rising in the past two years.

The management believes that with the Group's experience gained from the development of our existing projects and the continuous growth of the economy of Mainland China, the Cangzhou City (滄州市) project has excellent investment potential. Please refer to the Company's announcement made on 6 July 2010 for further details.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 15 March 2011

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 61, is an Executive Director and the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the Chairman of South China Holdings Limited, South China Financial Holdings Limited and South China (China) Limited. He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company, Mr. Ng Yuk Fung, Peter, an Executive Director of the Company and Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company.

Mr. Ng Yuk Yeung, Paul, aged 29, is an Executive Director and the Chief Executive Officer of the Company. He is also an executive director and the vice-chairman of South China Financial Holdings Limited. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. Mr. Ng was appointed as a director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and Mr. Ng Yuk Fung, Peter, an Executive Director of the Company.

Mr. Richard Howard Gorges, aged 67, is an Executive Director of the Company. He is also an executive director and a vice-chairman of South China (China) Limited and South China Financial Holdings Limited, and is an executive director of South China Holdings Limited. He holds a Master degree in Law from University of Cambridge in the United Kingdom. Mr. Gorges was appointed as a director of the Company on 7 January 2009.

Ms. Cheung Choi Ngor, aged 57, is an Executive Director, the Compliance Officer and an Authorised Representative of the Company. She is also an executive director, a vice-chairman and chief executive officer of South China (China) Limited, an executive director and a vice-chairman of South China Financial Holdings Limited, and an executive director of South China Holdings Limited. She holds a Master degree in Business Administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a director of the Company on 7 January 2009.

Mr. Ng Yuk Fung, Peter, aged 30, is an Executive Director of the Company. He is also an executive director of South China Holdings Limited and South China (China) Limited. Mr. Ng holds a bachelor's degree in law from King's College London, University of London in the United Kingdom. He is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People's Political Consultative Conference Nanjing City Committee. Mr. Ng was appointed as a director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, the younger brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and the elder brother of Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui, Jessica, aged 32, is a Non-executive Director of the Company. Ms. Ng is also a non-executive Director of South China Holdings Limited and South China (China) Limited. She has a Bachelor degree in law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a Committee Member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as a director of the Company on 20 August 2003. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the sister of Mr. Ng Yuk Fung, Peter, an Executive Director of the Company, and Mr. Ng Yuk Yeung, Paul, an Executive Director and Chief Executive Officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lo Wing Yan, William, J.P., aged 50, is an Independent Non-executive Director of the Company. Dr. Lo had held various senior positions with I.T Limited, China Unicom Limited, Citibank, N.A., Hong Kong Telecom Group and McKinsey & Company, Inc. He is currently an independent non-executive director of Nam Tai Electronics, Inc., which is listed on the New York Stock Exchange, an independent non-executive director of Varitronix International Limited and SITC International Holdings Company Limited, both of which are listed on the Main Board of the Hong Kong Stock Exchange, and an independent non-executive director of Westminster Travel Limited, which is listed on the Singapore Stock Exchange. He holds a Master degree in Molecular Pharmacology and a Doctorate degree in Genetic Engineering, both from The University of Cambridge in England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (HK), and a Bye-Fellow of Downing College, The University of Cambridge. He is very active in the education sector of which he is an Adjunct Professor of The School of Business, Hong Kong Baptist University as well as that of the Faculty of Management, Hong Kong Polytechnic University. He is also a Governor of the ISF Academy as well as Junior Achievement Hong Kong. In 1996, the renowned global organization World Economic Forum selected Dr. Lo as a "Global Leader for Tomorrow". In 1999, the Hong Kong Special Administrative Region Government appointed him as a Justice of the Peace ("J.P."). In 2003, he was appointed as a Committee Member of Shantou Municipal Committee of the Chinese People's Political Consultative Conference. He was appointed as a director of the Company on 25 February 2002.

Mr. Cheng Yuk Wo, aged 50, is an Independent Non-executive Director of the Company. He worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng is currently an executive director of 21 Holdings Limited and an independent non-executive director of CPMC Holdings Limited, CSI Properties Limited, HKC (Holdings) Limited, C.P. Lotus Corporation (formerly known as "Chia Tai Enterprises International Limited"), Chong Hing Bank Limited, Goldbond Group Holdings Limited and Imagi International Holdings Limited, all being listed on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as a director of the Company on 17 September 2004.

Ms. Pong Oi Lan, Scarlett, J.P., aged 51, is an Independent Non-executive Director of the Company. She is the Managing Director of Realchamp Asset Management Limited and the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. Ms. Pong is an elected District Councilor, the Chairman of The Outstanding Young Persons' Association and The League of Health Professionals of Hong Kong Limited. She is a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the president of The Practising Pharmacists Association of Hong Kong for eight years. She is being appointed in a number of government boards and committees such as Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008-2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity. Ms. Pong received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007 and was appointed as a Justice of the Peace ("J.P.") by the Hong Kong Special Administrative Region Government in July 2010. Ms. Pong was appointed as a director of the Company on 27 March 2008.

Directors' Report

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development business in the Peoples Republic of China, excluding Hong Kong and Macau (the "PRC"), and magazine publishing business in Hong Kong. During the year, the Company disposed of its interests in the publication business (the disposal of the said business was completed on 15 July 2010), details as disclosed in note 11 of the audited consolidated financial statement.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 23 of this Annual Report.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 81 of this Annual Report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties and properties under development of the Group during the year are set out in notes 16, 18 and 22 to the audited consolidated financial statements respectively. Further details of the Group's investment properties and properties under development are set out on page 82 of this Annual Report.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the audited consolidated financial statements respectively.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2010.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution amounted to approximately HK$970,044,000.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung, Paul (*Chief Executive Officer*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors:

Ms. Ng Yuk Mui, Jessica
Mr. Hui Ping (Resigned on 26 February 2010)

Independent Non-executive Directors:

Dr. Lo Wing Yan, William, J.P.
Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett, J.P.

In accordance with Article 116 of the Articles of Association (the "AA") of the Company, Mr. Ng Hung Sang, Mr. Ng Yuk Yeung, Paul and Ms. Pong Oi Lan, Scarlett, J.P. will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") from each of the Independent Non-executive Directors namely, Dr. Lo Wing Yan, William, J.P., Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett, J.P. for the year ended 31 December 2010 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 9 and 10 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ng Hung Sang, an Executive Director of the Company and Mr. Hui Ping, a Non-executive Director of the Company who resigned on 26 February 2010 as disclosed above, has entered into a service contract with the Company for an initial fixed term of one year commencing from 28 January 2002 which continues thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors being 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).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

The Company

A. Long position in shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739		
	Interests of spouse	967,923,774		
	Interest of controlled corporations	6,128,639,154 *(Note a)*	7,459,956,667	66.73%
Ng Yuk Yeung, Paul ("Mr. Paul Ng")	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung, Peter ("Mr. Peter Ng")	Beneficial owner		481,666,667	4.31%

B. Long position in the underlying shares

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Paul Ng	Beneficial owner	3,333,333 *(Note b)*	0.02%
Mr. Peter Ng	Beneficial owner	3,333,333 *(Note b)*	0.02%

Notes:

(a) The 6,128,639,154 shares of the Company held by Mr. Ng through controlled corporations include 1,088,784,847 shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 shares held by Ronastar Investments Limited ("Ronastar"), 237,881,856 shares held by Worldunity Investments Limited ("Worldunity") and 30,000,000 shares held by South Chinia Strategic Limited ("SC Strategic"). Fung Shing, Parkfield and Ronastar are all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity and SC Strategic indirectly via South China Holdings Limited ("SCH") and South China (China) Limited ("SCC") respectively, which is owned as to 73.72% and 63.01% by Mr. Ng, while Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung Choi Ngor ("Ms. Cheung"). As such, Mr. Ng was deemed to have interest in the 237,881,856 shares held by Worldunity, the 30,000,000 shares held by SC Strategic and the 2,238,789,644 shares held by Bannock and Earntrade.

(b) These share options were granted on 14 March 2007 at an exercise price of HK$0.2166 per share of the Company with exercisable periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant. Each of Mr. Peter Ng and Mr. Paul Ng has exercised his 1,666,667 share options on 12 and 13 March 2010 respectively. The number of outstanding options granted to each of Mr. Peter Ng and Mr. Paul Ng at 1 January 2010 and 31 March 2010 is 5,000,000 and 3,333,333 share options respectively. Details of which are set out in the following section headed "Share Option Scheme".

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company together with the details of the options of the Company granted are set out in note 33 to the audited consolidated financial statements. Details of the options granted by the Company to the Directors were set out under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this Annual Report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year was the Company, or any of its holding companies or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for equity or debt securities of the Company or any other body corporate nor had exercised any such right.

PENSION SCHEME

Details of the pension scheme of the Group are set out in note 3.16 to the audited consolidated financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which Mr. Ng, a Director and controlling shareholder of the Company, has beneficial interest are set out in note 38 to the audited consolidated financial statements and the section headed "Connected Transactions" of this Annual Report.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, 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, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries for the year ended 31 December 2010.

MANAGEMENT CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of Part XV of SFO:

Long position

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of controlled corporation	2,238,789,644 (*Note a*)	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (*Note a*)	9.74%
Ng Lai King, Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	7,549,956,667 (*Note b*)	66.73%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. The 2,238,789,644 shares in the Company held by Earntrade include 1,088,784,847 shares held by Bannock directly.

(b) Ms. Ng is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng is deemed to be interested in the 363,393,739 shares and 6,128,639,154 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 31 December 2010, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Mr. Ng, the Chairman and controlling shareholder of the Company, is also the chairman of SCH and SCC. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH and SCC, in which certain corporate interest in SCH and SCC are held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCH and SCC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCH and SCC). Mr. Peter Ng, an Executive Director of the Company and has certain interest in the Company, is also an executive director of SCH and SCC and has certain interests in SCC. Ms. Ng Yuk Mui, Jessica ("Ms. Jessica Ng"), a Non-Executive Director of the Company, is also a non-executive director of SCH and SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development and investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Peter Ng and Ms. Jessica Ng are regarded as interested in such competing businesses of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SCH and SCC and there is no direct competition amongst the three listed groups.

Mr. Ng is the controlling shareholder of South China Media Limited ("SC Media"), Jessica Publications (BVI) Limited ("Jessica") and Ace Market Investments Limited ("Ace Market") and is a director of SC Media and Ace Market, and each of Ms. Jessica Ng and Mr. Peter Ng is a director of SC Media, Jessica and Ace Market. SC Media, Jessica and Ace Market are principally engaged in the publication businesses which are considered as competing businesses of the Group. Accordingly, each of Mr. Ng, Ms. Jessica Ng and Mr. Peter Ng is regarded as interested in such competing businesses of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SC Media, Jessica and Ace Market as the Group's relevant publication business has its own target reader market and contents of which are different from those of SC Media, Jessica and Ace Market. Further, the Company announced and completed its sale of publication business on 24 March 2010 and 15 July 2010 respectively, there is no longer any issue of competing business following the sale.

Save as disclosed above, as at 31 December 2010, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out on pages 18 to 21 of this Annual Report.

REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

Details of the compliance by the Company with the required standard of dealings for securities transactions by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules are set out on page 19 of this Annual Report.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in notes 11, 30 and 38 to the audited consolidated financial statements.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Audit Committee), Dr. Lo Wing Yan, William, J.P. and Ms. Pong Oi Lan, Scarlett, J.P..

The Audit Committee is satisfied with its review of the audit fee, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2011 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, the sales to the Group's five largest customers accounted for 17% and sales to the largest customer included therein accounted for 5% of the total sales. Purchases from the Group's five largest suppliers accounted for 65% and purchases from the largest supplier included therein accounted for 47% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had an interest in the Group's five largest customers or suppliers of the Group noted above.

AUDITORS

On 26 November 2010, Messrs. BDO Limited was appointed as the auditors of the Company to fill the casual vacancy following the resignation of Messrs. Grant Thornton ("GTHK"), now known as JBPB & Co., due to a merger of the business of GTHK with that of BDO Limited, the Hong Kong member firm of the global BDO network. The audited consolidated financial statements for the year ended 31 December 2010 were audited by Messrs. BDO Limited and the audited consolidated financial statements for the years 2008 and 2009 were audited by GTHK. Apart from the aforesaid, there has been no change of auditors of the Company in any of the three proceeding years. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. BDO Limited as the auditors of the Company.

On behalf of the Board

Ng Hung Sang
Chairman
Hong Kong, 15 March 2011

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2010.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2010, the board of directors of the Company (the "Board") composed of 9 directors, including the Chairman and the Chief Executive Officer who are Executive Directors, 3 additional Executive Directors, a Non-executive Director and three Independent Non-executive Directors. A Non-executive Director resigned during the year. One-third of the Board is Independent Non-executive Directors. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors on pages 9 and 10 of this Annual Report.

Review will be made regularly on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Board has adopted a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once in a year in discussing whether the composition, size, structure of the Board is adequate. The Board met once in 2010 for the said purpose with all the Directors present.

All Directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies, are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforcing their independence and accountability. Key and important decisions are fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held five meetings in 2010:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	4/5
Ng Yuk Yeung, Paul (*Chief Executive Officer*)	4/5
Cheung Choi Ngor	5/5
Richard Howard Gorges	5/5
Ng Yuk Fung, Peter	4/5
Non-executive Directors	
Ng Yuk Mui, Jessica	3/5
Hui Ping (Resigned on 26 February 2010)	0/0
Independent Non-executive Directors	
Lo Wing Yan, William, J.P.	4/5
Cheng Yuk Wo	5/5
Pong Oi Lan, Scarlett, J.P.	5/5

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary. Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2010.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the GEM Listing Rules, the Directors acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, a team, comprising qualified accountants, has been organized to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly and ensures the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for review by the Audit Committee on a regular interval. The scopes and timing of the audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by the management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

IA Team consistently monitors the internal control procedures and systems of the Group, reports findings and make recommendations, if any, to the Audit Committee on a regular interval. During the year, the accounting system maintenance cycle of media segment, rental income cycle of property segments, property management expense cycle of property segment and credit control cycle of property segment of the Group were reviewed by the IA Team. Recommended remedial actions, distinguishing specific incidents from control weakness that require procedural changes or enhancement to prevent recurrence were proposed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Directors ensure that the preparation of the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditors' Report on page 22 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, the Auditors of the Company will receive approximately HK$500,000 for audit service. No non-audit service was provided by the Auditors in 2010.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 16 March 2005 and it comprises all the Independent Non-executive Directors, namely Dr. Lo Wing Yan, William, J.P. (Chairman of the Remuneration Committee), Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett, J.P..

The Remuneration Committee met once in November 2010 and was attended by all the Committee members. The policies on the remuneration of Executive Directors were reviewed by the Remuneration Committee. Remuneration, including basic salaries, discretionary performance bonus and other emolument of the Executive Directors is based on skill, knowledge, involvement in the Company's affairs and performance of the individual Executive Directors with reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long-term incentive to and for retaining staff.

The directors' fees for all Directors are subject to shareholders' approval at general meeting. Remuneration packages of the Executive Directors are reviewed by the Remuneration Committee. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Audit Committee), Dr. Lo Wing Yan, William, J.P. and Ms. Pong Oi Lan, Scarlett, J.P.. The principal duties of the Audit Committee in accordance with its terms of reference, which are substantially the same as the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group.

The Audit Committee members meet regularly and held four meetings in 2010 in which representatives of the management were present to review the quarterly, interim and final results, the quarterly, interim and annual reports, and other financial and internal control matters. The Group's Auditors were present in one of the meetings.

	Attendance
Cheng Yuk Wo	4/4
Lo Wing Yan, William, J.P.	3/4
Pong Oi Lan, Scarlett, J.P.	4/4

The Audit Committee is satisfied with their review of the audit fees and the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2011 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2010 were reviewed by the Audit Committee.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF SOUTH CHINA LAND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Land Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 23 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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 as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 15 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Revenue	5	**844**	–
Other operating income	6	**1,085**	131
Increase in fair value of investment properties	18	**1,269,118**	–
Selling and distribution costs		**(13,246)**	(13,258)
Administrative and other operating expenses		**(35,273)**	(16,994)
Operating profit/(loss)	8	**1,222,528**	(30,121)
Finance costs	9	**(11,601)**	(18,392)
Profit/(loss) before income tax		**1,210,927**	(48,513)
Income tax expense	10	**(317,279)**	–
Profit/(loss) for the year from continuing operations		**893,648**	(48,513)
Discontinued operations			
Profit/(loss) from discountinued operations	11	**5,337**	(4,791)
Profit/(loss) for the year		**898,985**	(53,304)
Profit/(loss) for the year attributable to:			
Equity holders of the Company	12	**713,604**	(48,526)
Non-controlling interests		**185,381**	(4,778)
		898,985	(53,304)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	13		
Basic			
– Profit/(loss) from continuing and discontinued operations		**HK6.38cents**	HK(1.08)cents
– Profit/(loss) from continuing operations		**HK6.33cents**	HK(0.98)cent
– Profit/(loss) from discontinued operations		**HK0.05cent**	HK(0.10)cent
Diluted			
– Profit from continuing and discontinued operations		**HK6.38cents**	N/A
– Profit from continuing operations		**HK6.33cents**	N/A
– Profit from discontinued operations		**HK0.05cent**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year	**898,985**	(53,304)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**54,602**	(179)
Total comprehensive income for the year	**953,587**	(53,483)
Total comprehensive income attributable to:		
Equity holders of the Company	**760,820**	(48,710)
Non-controlling interests	**192,767**	(4,773)
	953,587	(53,483)

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**4,138**	1,827
Prepaid land lease payments	17	**4,646**	–
Investment properties	18	**2,663,437**	–
Goodwill	21	**355,326**	355,326
Deposit paid, prepayments and other receivables	24	**428,660**	143,621
Properties under development	22	**–**	1,142,673
		3,456,207	1,643,447
Current assets			
Properties under development	22	**15,528**	13,564
Trade receivables	23	**141**	4,518
Deposit paid, prepayments and other receivables	24	**12,234**	8,341
Amount due from a non-controlling shareholder of a subsidiary	25	**50,877**	44,461
Cash and bank balances	26	**100,769**	68,486
		179,549	139,370
Current liabilities			
Trade payables	27	**7,936**	6,253
Other payables, accrued expenses and receipts in advance	28	**56,937**	34,973
Amount due to a related company	25	**721**	3,842
Bank borrowings	29	**578,254**	–
		643,848	45,068
Net current (liabilities)/assets		**(464,299)**	94,302
Total assets less current liabilities		**2,991,908**	1,737,749
Non-current liabilities			
Bank borrowings	29	**–**	369,005
Loans from shareholders	30	**336,321**	–
Deferred tax liabilities	31	**428,250**	110,971
		764,571	479,976
Net assets		**2,227,337**	1,257,773
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	32	**111,785**	111,752
Reserves	34	**1,770,807**	994,043
		1,882,592	1,105,795
Non-controlling interests		**344,745**	151,978
Total equity		**2,227,337**	1,257,773

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	–	1,108
Current assets			
Amounts due from subsidiaries	19	**1,429,767**	1,076,379
Deposit paid, prepayments and other receivables	24	–	4
Cash and bank balances	26	**3**	724
		1,429,770	1,077,107
Current liabilities			
Other payables, accrued expenses and receipts in advance	28	**11,620**	116
Net current assets		**1,418,150**	1,076,991
Total assets less current liabilities		**1,418,150**	1,078,099
Non-current liabilities			
Loans from shareholders	30	**336,321**	–
Net assets		**1,081,829**	1,078,099
EQUITY			
Share capital	32	**111,785**	111,752
Reserves	34	**970,044**	966,347
Total equity		**1,081,829**	1,078,099

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax			
from continuing operations		**1,210,927**	(48,513)
from discontinued operations		**5,490**	(4,791)
		1,216,417	(53,304)
Adjustments for:			
Interest income	6	**(167)**	(125)
Increase in fair value of investment properties	18	**(1,269,118)**	–
(Reversal)/impairment loss of trade receivables	23	**(178)**	652
Gain on disposal of subsidiaries	11	**(3,829)**	–
Depreciation	16	**573**	543
Equity settled share-based payment expenses	14	**68**	432
Interest expense	9	**11,601**	18,392
Operating loss before working capital changes		**(44,633)**	(33,410)
Decrease/(increase) in trade receivables		**15,662**	(882)
Payments of properties under development	22	**(200,085)**	(192,745)
Increase in amount due from a non-controlling shareholder of a subsidiary		**(6,416)**	(18,616)
Increase in deposit paid, prepayments and other receivables		**(3,896)**	(8,044)
Increase/(decrease) in trade payables		**5,202**	(1,923)
Increase in other payables, accrued expenses and receipts in advance		**38,979**	20,127
(Decrease)/increase in amount due to a related company		**(310)**	3,842
Net cash used in operating activities		**(195,497)**	(231,651)
Cash flows from investing activities			
Interest received	6	**167**	125
Net cash outflow from disposal of subsidiaries	20	**(1,090)**	–
Purchases of other property, plant and equipment	16	**(3,309)**	(878)
Deposit paid for acquisition of leasehold interest in land		**(289,686)**	(143,621)
Net cash used in investing activities		**(293,918)**	(144,374)
Cash flows from financing activities			
Advance from an intermediate holding company		**–**	243,045
New bank loans		**193,425**	369,005
Repayments of bank loans		**–**	(212,011)
Loans from shareholders		**336,321**	–
Interest paid	9	**(26,775)**	(6,328)
Contribution from shareholders		**15,187**	–
Capital contribution from non-controlling shareholders of subsidiaries		**–**	15,664
Proceeds from exercise of share options		**722**	558
Net cash generated from financing activities		**518,880**	409,933

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Net increase in cash and cash equivalents		**29,465**	33,908
Cash and cash equivalents at 1 January		**68,486**	34,757
Effect of foreign exchange rate changes		**2,818**	(179)
Cash and cash equivalents at 31 December		**100,769**	68,486
Analysis of the cash and cash equivalents			
– Cash and bank balances	26	**100,769**	68,486

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Equity attributable to the equity holders of the Company									Non-controlling interests	Total equity
	Share capital	**Share premium**	**Capital reserve**	**Capital contribution reserve**	**Employee compensation reserve**	**Convertible notes equity reserve**	**Exchange reserve**	**Retained earnings/ accumulated losses**	**Total**		
	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	**5,065**	**11,483**	**6,044**	**–**	**3,265**	**148,232**	**68,350**	**(81,339)**	**161,100**	**118,893**	**279,993**
Transactions with owners											
Recognition of equity settled share-based compensation	–	–	–	–	432	–	–	–	432	–	432
Exercise of share options	20	1,176	–	–	(638)	–	–	–	558	–	558
Conversion of convertible notes	106,667	757,605	–	–	–	(148,232)	–	–	716,040	–	716,040
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	15,664	15,664
Other contribution from a shareholder	–	–	–	276,375	–	–	–	–	276,375	22,194	298,569
Transactions with owners	106,687	758,781	–	276,375	(206)	(148,232)	–	–	993,405	37,858	1,031,263
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	(48,526)	(48,526)	(4,778)	(53,304)
Other comprehensive income											
Exchange realignment	–	–	–	–	–	–	(184)	–	(184)	5	(179)
Total comprehensive income for the year	–	–	–	–	–	–	(184)	(48,526)	(48,710)	(4,773)	(53,483)
At 31 December 2009 and 1 January 2010	**111,752**	**770,264**	**6,044**	**276,375**	**3,059**	**–**	**68,166**	**(129,865)**	**1,105,795**	**151,978**	**1,257,773**
Transactions with owners											
Recognition of equity settled share-based compensation	–	–	–	–	68	–	–	–	68	–	68
Exercise of share options	33	1,578	–	–	(889)	–	–	–	722	–	722
Transfer to accumulated losses	–	–	–	–	(420)	–	–	420	–	–	–
Other contribution from a shareholder	–	–	–	15,187	–	–	–	–	15,187	–	15,187
Transactions with owners	33	1,578	–	15,187	(1,241)	–	–	420	15,977	–	15,977
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	713,604	713,604	185,381	898,985
Other comprehensive income											
Exchange realignment	–	–	–	–	–	–	47,216	–	47,216	7,386	54,602
Total comprehensive income for the year	–	–	–	–	–	–	47,216	713,604	760,820	192,767	953,587
At 31 December 2010	**111,785**	**771,842**	**6,044**	**291,562**	**1,818**	**–**	**115,382**	**584,159**	**1,882,592**	**344,745**	**2,227,337**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

South China Land Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are property investment and development in the People's Republic of China (the "PRC") and magazine publishing business in Hong Kong. During the year, the Company disposed of its interests in the publication business, details as disclosed in note 11 of the consolidated financial statement.

The consolidated financial statements on pages 23 to 80 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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

The consolidated financial statements for the year ended 31 December 2010 were approved for issue by the board of directors on 15 March 2011.

2. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in note 3 to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 *(Continued)*

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements (Continued)

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment 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 statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires 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. The Group concluded that the classification of such leases as operating leases continues to be appropriate.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively. However, the adoption of this new accounting policy has not affected the consolidated or the Company statement of financial position at 1 January 2009 and accordingly the third statement of financial position as at 1 January 2009 is not presented.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2&3]
Amendments to HKAS 32	Classification of Rights Issues[1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKFRS 9	Financial Instruments[6]

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

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

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis, as modified by revaluation of investment properties, which are carried at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

3.2 Business combination and basis of consolidation *(Continued)*

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

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

3.3 Revenue recognition

Revenue comprises the fair value from the sale of goods and services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Rental income from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.

– Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

– Interest income is recognised on a time-proportion basis using the effective interest method.

– Sale of magazines was recognised when the magazines were delivered net of returns or title has been passed, with advance subscription fee received from subscribers recorded as receipts in advance.

– Advertising income was recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

– Promotion and marketing income was recognised in the accounting period in which the services were rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separated in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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

3.5 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.6 Goodwill

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment (see note 3.9).

Any excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consideration transferred and the amount recognised for non-controlling interests is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of the reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3.3. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

3.8 Property, plant and equipment *(Continued)*

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

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method at 20% per annum (or over the lease term, if shorter).

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment, land use rights and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

3.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3.11 Financial assets

The Group's financial assets include trade and other receivables, amount due from a non-controlling shareholder of a subsidiary and cash and bank balances.

The Group's financial assets are classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

3.11 Financial assets *(Continued)*

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

3.12 Accounting for income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (note 3.5). Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated selling expenses.

No depreciation is provided on properties under development.

Properties under development for future sale in the ordinary course of business are included in current assets. On completion, the properties are transferred to properties held for sale.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

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

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.16 Pension obligations and employee benefits

Defined contribution plan

Pensions to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

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

3.17 Share-based employee compensation

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss unless it qualifies for recognition as asset, with a corresponding increase in employee compensation reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

3.18 Financial liabilities

The Group's financial liabilities include trade and other payables, loans from shareholders and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.5).

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Payables

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

3.18 Financial liabilities *(Continued)*

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the call option for conversion of the notes into equity, is included in equity as convertible note equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the note.

When the convertible note is converted, the convertible notes equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible note is redeemed, the equity component of convertible notes is released directly to retained profits.

3.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

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

3.20 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(b) the Group and the party are subject to common control;

(c) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(e) the party is a close family member of a party referred to in (a) or is an entity under the control, joint control or significant influence of such individuals; or

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

(a) expenses related to share-based payments;

(b) finance costs;

(c) income tax;

(d) corporate income and expenses which are not directly attributable to the business activities of any operating segment; and

(e) Fair value gains on investment properties;

are not included in arriving at the operating results of the operating segment.

Corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities attributable to investment properties.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment at the reporting date.

(b) Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determing the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

(d) Estimates of fair value of investment properties

As disclosed in note 18, the Group's investment properties were revalued at the end of each reporting period by independent professional valuer. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Deferred tax assets

The recognition of deferred tax assets requires assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets are included within the consolidated statement of financial position. Deferred tax assets are measured using substantially enacted tax rates expected to apply when the temporary differences reverse. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income. Recognition therefore, involves management's judgement regarding the future financial performance of the particular legal entity in which the deferred tax assets have been recognised and interpretation of country specific tax law and the likelihood of settlement. However the actual tax assets could differ from the provision and in such event the Group would be required to make an adjustment in a subsequent period which could have a material impact on the Group's income statement.

5. REVENUE

The Group's principal activities are disclosed in note 1 to these consolidated financial statements. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2010 HK$'000	2009 HK$'000
Continuing operations		
Rental income from investment properties	584	–
Building management and service fee income	260	–
	844	–
Discontinued operations		
Sales of magazines	657	981
Advertising income	5,057	9,391
Promotion and marketing income	8,897	11,400
	14,611	21,772
	15,455	21,772

6. OTHER OPERATING INCOME

	2010 HK$'000	2009 HK$'000
Continuing operations		
Bank and other interest income	167	125
Sundry income	918	6
	1,085	131
Discontinued operations		
Sundry income	178	40
	1,263	171

7. SEGMENT INFORMATION

The executive directors have identified the Group's operating segments as follows:

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Continuing operations Property investment and development		Discontinued operations Magazine publications		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Revenue						
From external customers	**844**	–	**14,611**	21,772	**15,455**	21,772
Reportable segment revenue	**844**	–	**14,611**	21,772	**15,455**	21,772
Reportable segment profit/(loss)	**(45,439)**	(27,055)	**1,661**	(4,791)	**(43,778)**	(31,846)
Bank interest income	**167**	125	**–**	–	**167**	125
Depreciation	**(386)**	(202)	**(126)**	(341)	**(512)**	(543)
Reversal/(impairment loss) of trade receivables	**–**	–	**178**	(652)	**178**	(652)
Reportable segment assets	**3,534,987**	1,708,840	**–**	5,195	**3,534,987**	1,714,035
Additions to non-current segment assets during the year	**228,267**	144,452	**–**	47	**228,267**	144,499
Reportable segment liabilities	**(1,060,497)**	(512,828)	**–**	(10,017)	**(1,060,497)**	(522,845)

7. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidation financial statements as follows:

	Continuing operations Property investment and development		Discontinued operations Magazine publications		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue	**844**	–	**14,611**	21,772	**15,455**	21,772
Group revenue	**844**	–	**14,611**	21,772	**15,455**	21,772
Reportable segment profit/(loss)	**(45,439)**	(27,055)	**1,661**	(4,791)	**(43,778)**	(31,846)
Other corporate expenses	**(1,151)**	(3,066)	**–**	–	**(1,151)**	(3,066)
Fair value gain on investment properties	**1,269,118**	–	**–**	–	**1,269,118**	–
Finance costs	**(11,601)**	(18,392)	**–**	–	**(11,601)**	(18,392)
Gain on disposal of subsidiaries	**–**	–	**3,829**	–	**3,829**	–
Profit/(loss) before income tax	**1,210,927**	(48,513)	**5,490**	(4,791)	**1,216,417**	(53,304)
Reportable segment assets	**3,534,987**	1,708,840	**–**	5,195	**3,534,987**	1,714,035
Other corporate assets	**100,769**	68,782	**–**	–	**100,769**	68,782
Group assets	**3,635,756**	1,777,622	**–**	5,195	**3,635,756**	1,782,817
Reportable segment liabilities	**1,060,478**	512,828	**–**	10,017	**1,060,478**	522,845
Other corporate liabilities	**347,941**	2,199	**–**	–	**347,941**	2,199
Group liabilities	**1,408,419**	515,027	**–**	10,017	**1,408,419**	525,044

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (domicile)	**14,611**	21,772	**–**	663
The PRC	**844**	–	**3,456,207**	1,642,784
	15,455	21,772	**3,456,207**	1,643,447

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 2010 and 2009.

8. OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS

	2010 HK$'000	2009 HK$'000 (Restated)
Operating profit/(loss) is arrived at after charging/(crediting):		
Auditors' remuneration	**500**	450
Exchange loss, net	**1,734**	1,725
Depreciation	**447**	240
Less: Depreciation capitalised in properties under development	**(61)**	(37)
Depreciation charged to income statement	**386**	203
Amortisation of prepaid land lease payments	**1,618**	–
Employee benefit expense (including directors' emolument) (*note* 14)	**24,317**	7,308
Operating leases rentals	**1,250**	1,556
Gross rental income from investment property	**(844)**	–
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**2,861**	–
	2,017	–

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest charged on bank borrowings wholly repayable within five years	**26,775**	6,328
Interest charged on loans from shareholders (*note* 30)	**11,601**	–
Non-cash imputed interest on convertible notes	**–**	18,392
Total interest	**38,376**	24,720
Less: Interest capitalised in properties under development	**(26,775)**	(6,328)
	11,601	18,392

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for the year.

Taxes on income arising from subsidiaries in PRC have been calculated based on a statutory rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2009 and 2010.

	2010	2009
	HK$'000	HK$'000
Continuing operations		
Deferred income tax – fair value gain on valuation of investment properties	**317,279**	–
Discontinued operations		
Hong Kong current tax – tax for the year	**153**	–
	317,432	–

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2010	2009
	HK$'000	HK$'000
Continuing operations	**1,210,927**	(48,513)
Discontinued operations	**5,490**	(4,791)
Profit/(loss) before income tax	**1,216,417**	(53,304)
Tax at the applicable tax rates, calculated at the rates applicable to profits in the tax jurisdiction concerned	**306,114**	(10,937)
Tax effect of non-deductible expenses	**1,686**	3,525
Tax effect of non-taxable income	**(199)**	(132)
Tax effect of tax losses not recognised	**10,251**	7,498
Tax effect on temporary differences not recognised	**19**	46
Utilisation of tax losses previously not recognised	**(439)**	–
Income tax expense	**317,432**	–

11. DISCONTINUED OPERATIONS

On 24 March 2010, the Company announced that it had entered into an agreement with a company wholly owned by Mr. Ng Hung Sang, the Chairman and a substantial shareholder of the Company, for the sale of two shares in Media Bonus Limited and the respective shareholder's loan at a consideration of HK$100,000 subject to the approval of the independent shareholders of the Company. Media Bonus Limited and its subsidiaries (the "Media Bonus Group") are wholly owned subsidiaries of the Company and are engaged in the publication business. Following the sale, the Company ceased to engage in publication business. Please refer to the Company's announcement made on 24 March 2010 and Company's circular issued on 7 June 2010 for further details. The disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 July 2010 and the transaction was completed on 15 July 2010.

Following the disposal, Media Bonus Group ceased to be subsidiaries of the Company and the publication business which was carried out by the Media Bonus Group became discontinued operations. Results of the Media Bonus Group then ceased to be accounted for in the consolidated financial statements of the Group.

The results from Media Bonus Group during the period are presented below:

	Notes	**For the period from 1 January 2010 to 15 July 2010 HK$'000**	For the year ended 31 December 2009 HK$'000
Revenue	5	**14,611**	21,772
Direct operating expenses		**(6,505)**	(12,088)
Other operating income	6	**178**	40
Selling and distribution costs		**(4,519)**	(9,330)
Administrative and other operating expenses		**(2,104)**	(5,185)
Profit/(loss) before income tax		**1,661**	(4,791)
Income tax expense	10	**(153)**	–
Profit/(loss) for the period/year		**1,508**	(4,791)
Gain on disposal of subsidiaries		**3,829**	–
Profit/(loss) from discontinued operations		**5,337**	(4,791)

	For the period from 1 January 2010 to 15 July 2010 HK$'000	For the year ended 31 December 2009 HK$'000
Operating profit/(loss) is arrived at after charging/(crediting):		
Depreciation	**126**	341
Operating leases rentals in respect of rental premises	**120**	692
(Reversal)/impairment loss of trade receivables	**(178)**	652

11. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows incurred by the discontinued operations are presented below:

	For the period from 1 January 2010 to 15 July 2010 HK$'000	For the year ended 31 December 2009 HK$'000
Operating activities	**423**	(629)
Investing activities	**(2)**	(47)
Net cash inflow/(outflow)	**421**	(676)

12. PROFIT/(LOSS) FOR THE YEAR

Of the consolidated profit for the year attributable to equity holders of the Company of HK$713,604,000 (2009: Consolidated loss of HK$48,526,000), a loss of HK$12,247,000 (2009: HK$18,962,000) has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

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

	2010 HK$'000	2009 HK$'000
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculations:		
– continuing operations	**708,267**	(43,735)
– discontinued operations	**5,337**	(4,791)
	713,604	(48,526)

	2010	2009
Weighted average number of ordinary shares		
– for the purpose of basic earnings/(loss) per share calculation	**11,177,845,376**	4,481,864,554
– for the purpose of diluted earnings/(loss) per share calculation	**11,178,285,594**	N/A

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations		
Wages and salaries	25,184	7,283
Less: Wages and salaries capitalised in properties under development	(3,185)	(1,797)
Wages and salaries charged to income statement	21,999	5,486
Equity settled share-based payment expenses	68	432
Pension costs – defined contribution plans	2,250	1,390
	24,317	7,308
Discontinued operations		
Wages and salaries	8,605	14,729
Pension costs – defined contribution plans	202	485
	8,807	15,214
	33,124	22,522

Included in staff costs are key management personnel compensation and comprise the following categories:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	6,240	4,726
Equity settled share-based payment expenses	68	218
Pension costs – defined contribution plans	59	72
	6,367	5,016

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2010	2009
	HK$'000	HK$'000
Fees	**235**	160
Other emoluments:		
Salaries, allowances and benefits in kind	**1,162**	489
Equity settled share-based payment expenses	**68**	218
Pension costs – defined contribution plans	**14**	12
	1,244	719
	1,479	879

During the year ended 31 December 2007, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33(a) to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

The emoluments paid or payable to the directors are as follows:

Year ended 31 December 2010

	Fees	**Salaries and allowances**	**Equity settled share-based payment expenses**	**Pension costs – defined contribution plans**
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Yeung, Paul	–	**1,080**	**34**	**12**
RICHARD Howard Gorges	–	–	–	–
CHEUNG Choi Ngor	–	–	–	–
NG Yuk Fung, Peter	–	–	**34**	–
Non-executive directors				
NG Yuk Mui, Jessica	**10**	–	–	–
HUI Ping	–	**82**	–	**2**
Independent non-executive directors				
LO Wing Yan, William	**75**	–	–	–
CHENG Yuk Wo	**75**	–	–	–
PONG Oi Lan, Scarlett	**75**	–	–	–
	235	**1,162**	**68**	**14**

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2009

	Fees HK$'000	Salaries and allowances HK$'000	Equity settled share-based payment expenses HK$'000	Pension costs – defined contribution plans HK$'000
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Yeung, Paul	–	–	109	–
RICHARD Howard Gorges (*note i*)	–	–	–	–
CHEUNG Choi Ngor (*note i*)	–	–	–	–
NG Yuk Fung, Peter	–	–	109	–
Non-executive directors				
NG Yuk Mui, Jessica	10	–	–	–
HUI Ping (*note ii*)	–	489	–	12
Independent non-executive directors				
LO Wing Yan, William	50	–	–	–
CHENG Yuk Wo	50	–	–	–
PONG Oi Lan, Scarlett	50	–	–	–
	160	489	218	12

Note:

(i) Mr. Richard Howard Gorges and Ms. Cheung Choi Ngor were appointed as executive directors with effect from 7 January 2009.

(ii) Mr. Hui Ping re-designated from executive director to non-executive director on 7 January 2009 and resigned as non-executive director on 26 February 2010.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included no director (2009: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the five individuals (2009: five individuals) during the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	**5,058**	4,077
Pension costs – defined contribution plans	**45**	60
	5,103	4,137

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	5	5

During the year, no amount was paid by the Group to the directors or the five (2009: five) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2009				
Cost	730	3,056	204	3,990
Accumulated depreciation	(717)	(1,716)	(28)	(2,461)
Net book amount	13	1,340	176	1,529
Year ended 31 December 2009				
Opening net book amount	13	1,340	176	1,529
Additions	–	535	343	878
Depreciation	(2)	(526)	(52)	(580)
Closing net book amount	11	1,349	467	1,827
At 31 December 2009				
Cost	730	3,591	547	4,868
Accumulated depreciation	(719)	(2,242)	(80)	(3,041)
Net book amount	11	1,349	467	1,827

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Year ended 31 December 2010				
Opening net book amount	11	1,349	467	1,827
Additions	6	3,052	251	3,309
Disposal of subsidiaries				
– Cost	(544)	(2,398)	–	(2,942)
– Accumulated depreciation	542	1,863	–	2,405
Depreciation	–	(452)	(121)	(573)
Exchange alignment	1	88	23	112
Closing net book amount	16	3,502	620	4,138
At 31 December 2010				
Cost	200	4,234	828	5,262
Accumulated depreciation	(184)	(732)	(208)	(1,124)
Net book amount	16	3,502	620	4,138

17. PREPAID LAND LEASE PAYMENTS

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	**–**	–
Additions	**6,299**	–
Amortisation	**(1,618)**	–
Effect of foreign currency exchange differences	**(35)**	–
Balance at end of the year	**4,646**	–

The leasehold lands are held under medium term leases and are situated in PRC.

18. INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
Balance at end of the year	**2,663,437**	–

During the year, the Group reclassified certain "Properties under development" to "Investment properties" and measured it at fair value according to the provisions of HKAS 40.

18. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties as at 31 December 2010 were arrived at on the basis of valuation carried out at that date by Jones Lang LaSalle, an independent qualified professional valuer not connected to the Group. Jones Lang LaSalle is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation were arrived at using the income capitalisation approach based on the capitalisation of the fully leased, current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yield to arrive at the capital value at the valuation date. The revaluation gain is recognised in income statement for the year.

As at 31 December 2010, the Group's investment properties are pledged to secure banking facilities granted to the Group (note 29).

19. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

COMPANY

	2010 **HK$'000**	2009 HK$'000
Unlisted shares, at cost		
Balance at 1 January	**1,108**	1,108
Disposal of subsidiaries (*note 11*)	**(1,108)**	–
Balance at 31 December	**–**	1,108
Amounts due from subsidiaries	**1,429,767**	1,092,782
Less: Impairment losses recognised	**–**	(16,403)
	1,429,767	1,076,379

The movement in the impairment losses recognised for amounts due from subsidiaries is as follows:

	2010 **HK$'000**	2009 HK$'000
Balance at 1 January	**16,403**	16,403
Impairment losses reversal upon disposal of subsidiaries	**(16,403)**	–
Balance at 31 December	**–**	16,403

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

19. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries at 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of issued capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
Crystal Hub Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	–	Investment holding, Hong Kong
Ever Talent Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Investment holding, Hong Kong
遼寧大發房地產有限責任公司	The PRC, limited liability company	RMB270,000,000	–	80%	Property development, The PRC
瀋陽利鴻大發商業有限公司	The PRC, limited liability company	RMB5,000,000	–	80%	Property management, The PRC
瀋陽南華鴻基房地產開發有限公司	The PRC, limited liability company	USD30,110,988	–	100%	Property development, The PRC
Praise Rich Limited ("Praise Rich")	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	–	100%	Investment holding, Hong Kong
滄州南華房地產開發有限公司	The PRC, limited liability company	RMB10,387,000	–	100%	Property development, The PRC
Grandbase Universal Limited ("Grandbase")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Investment holding, Hong Kong
Grandland Management Limited ("Grandland")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of management services for the Group, Hong Kong

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. DISPOSAL OF SUBSIDIARIES

As referred to in note 11, on 15 July 2010, the Group disposed of the Media Bonus Group which is engaged in the publication business. The net assets of the Media Bonus Group at the disposal date were as follows:

	2010
	HK$'000
Property, plant and equipment	**537**
Trade and other receivables	**4,660**
Cash and bank balances	**1,190**
Trade and bank balances	**(7,305)**
Amount due to an ultimate holding company	**(15,767)**
Amounts due to related companies	**(2,811)**
	(19,496)
Gain on disposal of subsidiaries (*note 11*)	**3,829**
Total consideration	**(15,667)**
Satisfied by:	
Cash	**100**
Purchase of shareholders' loans	**(15,767)**
	(15,667)
Net cash outflow arising on disposal	
Cash consideration	**100**
Cash and bank balances disposed of	**(1,190)**
	(1,090)

21. GOODWILL

GROUP

The net carrying amount of goodwill can be analysed as follow:

	2010	2009
	HK$'000	HK$'000
At 1 January and 31 December		
Gross and net carrying amount	**355,326**	355,326

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property investment and development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed five-year budget plan which represents the business cycle and strategy plan of the Group's property investment and development segment, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term, average growth rates for the cash generating units.

21. GOODWILL *(Continued)*

The key assumptions used for value-in-use calculations are growth rate of 5% (2009: 5%) and discount rate of 7% (2009: 9%) per annum. The key assumptions have been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segments.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

22. PROPERTIES UNDER DEVELOPMENT

	2010	2009
	HK$'000	HK$'000
Leasehold interests in land located in the PRC, at cost	**3,267**	158,062
Development costs and other direct attributable expenses capitalised	**12,261**	998,175
	15,528	1,156,237
Classified as non-current	**–**	(1,142,673)
Current portion	**15,528**	13,564

	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**1,156,237**	946,243
Additions	**200,085**	192,745
Interest capitalised	**26,775**	6,328
Transfer to investment properties	**(1,394,319)**	–
Effect of foreign currency exchange differences	**26,750**	10,921
Balance at end of the year	**15,528**	1,156,237

During the year ended 31 December 2010, the directors changed the intended use of certain properties under development with cost of HK$1,394,319,000 to held for rental and capital appreciation. According to the condition for transfer of properties held for sale in the ordinary course of business to investment properties contained in HKAS 40 "Investment Property", the Group reclassified all the carrying value of construction cost and the leasehold interests in land incurred in respect of those properties from properties under development to investment properties according to HKAS 40. The carrying value, being the fair value of those properties under development at the date of transfer was HK$2,663,437,000. The transfer of properties under development to investment properties resulted in a fair value gain of HK$1,269,118,000, which was credited to the income statement for the year.

23. TRADE RECEIVABLES

GROUP

	2010 HK$'000	2009 HK$'000
Trade receivables – gross	**141**	5,649
Less: Impairment of trade receivables	**–**	(1,131)
Trade receivables – net	**141**	4,518

The Group allows a credit period from 30 days to 120 days to its trade customers. The following is the ageing analysis, based on invoice date, of net trade receivables at the reporting date:

	2010 HK$'000	2009 HK$'000
Within 30 days	**141**	1,495
31 – 60 days	**–**	1,016
61 – 90 days	**–**	1,006
91 to 180 days	**–**	724
Over 180 days	**–**	277
Trade receivables – net	**141**	4,518

The carrying amount of the trade receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each reporting date, the Group's trade receivables are individually determined to be impaired. The individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable. The impairment provision will be written off against the trade receivables directly. The Group does not hold any collateral over these balances.

The movement in the provision for impairment of trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
Balance at 1 January	**1,131**	479
(Reversal of)/impairment loss recognised	**(178)**	652
Disposal of subsidiaries	**(953)**	–
Balance at 31 December	**–**	1,131

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

None of the trade receivables were past due as at 31 December 2010.

24. DEPOSIT PAID, PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2010 HK$'000	2009 HK$'000
Deposit paid for PRC land use rights (*note*)	**428,660**	143,621
Prepayments	**4,245**	2,822
Other receivables	**7,989**	5,519
	440,894	151,962
Classified as non-current	**(428,660)**	(143,621)
Current portion	**12,234**	8,341

Note:

On 3 March 2010, the Group successfully won the bid by way of public tender for acquisition of land use right in respect of a piece of land for another property development project in Huanggu District (皇姑區), Shenyang, the PRC, with a site area of approximately 67,000 square metres for a consideration of approximately HK$1,336 million. An initial deposit of approximately HK$267 million was paid on 3 March 2010. Please refer to the Company's announcement made on 3 March 2010 for further details.

Other receivables of the Group were neither past due nor impaired, and their carrying amount approximates their fair value.

COMPANY

	2010 HK$'000	2009 HK$'000
Prepayments	**–**	4

25. BALANCES WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND A RELATED COMPANY

GROUP

Balances with a non-controlling shareholder of a subsidiary and a related company are unsecured, interest free and repayable on demand.

26. CASH AND BANK BALANCES

GROUP

As at 31 December 2010, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$84,489,144 (2009: HK$66,776,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As at 31 December 2010, the Group had cash and bank balances with amounts denominated in HK$ and RMB of approximately HK$28,417,000 and HK$8,000 (2009: HK$26,755,000 and HK$8,000) respectively were restricted only for the purpose of construction related payment by a bank as the bank provided mortgage loan to the Group.

27. TRADE PAYABLES

GROUP

The followings are the ageing analysis of trade payables at the reporting date:

	2010 HK$'000	2009 HK$'000
Within 30 days	3,510	1,150
31 – 60 days	520	578
61 – 90 days	174	726
91 – 180 days	1,935	969
Over 180 days	1,797	2,830
	7,936	6,253

28. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

	2010 HK$'000	2009 HK$'000
Other payables	28,783	30,360
Accrued expenses	12,200	4,462
Receipts in advance	15,954	151
	56,937	34,973

COMPANY

	2010 HK$'000	2009 HK$'000
Other payables	11,620	116

29. BANK BORROWINGS

GROUP

	2010	2009
	HK$'000	HK$'000
Bank loans – secured		
Bank loans repayable:		
– Within one year	**578,254**	–
– In the second to fifth years, inclusive	**–**	369,005
	578,254	369,005
Less: Portion classified as current liabilities	**(578,254)**	–
Non-current portion	**–**	369,005

At 31 December 2010, the bank borrowings are denominated in HK$ and RMB, repayable in full no later than November 2011 and bear interest at floating rates with reference to Hong Kong Interbank Offering Rate and the benchmark inter-bank interest rate of the PRC, ranging from 2.56% to 6.16% per annum (2009: ranged from 1.7% to 5.9% per annum).

As at 31 December 2010, the bank borrowings were secured by the pledge of the Group's investment properties (note 18).

Subsequent to year end, the Group accepted the bank's offer for refinancing the bank borrowings with repayment terms of five years. Up to the date of approval of these consolidated financial statements, the refinancing process is at its final stage, subject to finalisation of legal documents and the directors are confident that such refinancing will be approved.

30. LOANS FROM SHAREHOLDERS

Group and Company

Loans from shareholders are unsecured, interest-bearing at the prime lending rate as established from time to time by The Hong Kong and Shanghai Bank Corporation Limited. No repayment is required whether in part or in full on or before 31 December 2011. The majority shareholder of the Company, Mr. Ng, has undertaken to provide financial support to the Group, should the Group fail to refinance the bank borrowings as disclosed in note 29.

31. DEFERRED TAX LIABILITIES

Group

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% and 25.0% (2009: 16.5% and 25.0%).

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and previous financial years.

	Revaluation of property, plant and equipment HK$'000	Revaluation of investment properties HK$'000	Accelerated tax deprecation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2009	110,971	–	115	(115)	110,971
Recognised in income statement	–	–	(46)	46	–
At 31 December 2009 and 1 January 2010	110,971	–	69	(69)	110,971
Recognised in income statement	(110,971)	428,250	(19)	19	317,279
Disposal of subsidiaries	–	–	(50)	50	–
At 31 December 2010	**–**	**428,250**	**–**	**–**	**428,250**

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2010, the Group has estimated unused tax losses of HK$92,067,000 (2009: HK$67,230,000) were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses of HK$92,067,000 (2009: HK$66,812,000) due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$19,689,000 (2009: HK$23,508,000) and the remaining tax losses of approximately HK$72,378,000 (2009: HK$43,304,000) are subject to expiry period of five years.

32. SHARE CAPITAL

Group and Company

		2010		2009	
	Notes	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:					
Ordinary shares of HK$0.01 each					
At beginning and end of the year		**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At beginning of the year		**11,175,165,010**	**111,752**	506,498,344	5,065
Issue of ordinary shares on exercise of share options	(a) & (b)	**3,333,334**	**33**	2,000,000	20
Issue of ordinary shares on conversion of convertible notes	(c)	**–**	**–**	10,666,666,666	106,667
At 31 December		**11,178,498,344**	**111,785**	11,175,165,010	111,752

Notes:

(a) In March 2010, the issued share capital of the Company was increased by an aggregate amount of HK$33,000 due to the exercise of 3,333,334 share options by the senior management. The total consideration received was approximately HK$772,000 and the balance of approximately HK$689,000 was credited to the share premium account. An amount of approximately HK$889,000 has been transferred from the share option reserve to the share premium account in accordance with the policy set out in note 3.17.

(b) On 10 July 2009 and 22 July 2009, the issued share capital of the Company was increased by an aggregate amount of HK$20,000 due to the exercise of 2,000,000 share options by others. The total consideration received was approximately HK$558,000 and the balance of approximately HK$538,000 was credited to the share premium account. An amount of approximately HK$638,000 had been transferred from the share option reserve to the share premium account in accordance with the policy set out in note 3.17.

(c) On 18 August 2009, the issued share capital of the Company was increased by HK$106,667,000 due to the fully conversion of the Company's convertible notes. After the conversion, 10,666,666,666 Company's shares were allotted. Consequently, the balance of approximately HK$609,373,000 was credited to the share premium account. An amount of approximately HK$148,232,000 has been transferred from the convertible notes equity reserve to the share premium account in accordance with the policy set out in note 3.17. Details of the conversion were set out in the circular issued by the former intermediate holding company dated 23 July 2009.

33. SHARE-BASED EMPLOYEE COMPENSATION

The Company's existing share option scheme (the "Scheme") was adopted on 24 June 2002 and became effective on 18 July 2002. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(a) Summary of the Scheme

(i) *Purpose of the Scheme*

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in sub-section headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

(ii) *Participants of the Scheme*

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

(iii) *Total number of Shares available for issue under the Scheme*

The total number of Shares available for issue under the share options, which may be granted under the Scheme shall not exceed 50,649,834 Shares, being 10% of the total number of Shares in issue immediately following completion of the Placing (as defined under the Scheme).

During the year ended 31 December 2010 and 2009, no share option was granted under the Scheme.

(iv) *Maximum entitlement of each participant*

No Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) *Period within which the Shares must be taken up under an option*

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(vi) *Minimum period, if any, for which an option must be held before it can be exercised*

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(a) Summary of the Scheme *(Continued)*

(vii) *Amount payable upon acceptance of the option and the period within which the payment must be made*

HK$1.00 shall be paid within 5 business days from the date of offer of the option.

(viii) *Basis of determining the exercise price of the option*

The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

(ix) *Remaining life of the Scheme*

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 18 July 2002 and ending on 17 July 2012.

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(b) Details of share options granted or outstanding

Particulars and movements of the outstanding share options granted under the Scheme during the years ended 31 December 2010 and 2009 were as follows:

2010

Name and category of participant	Number of share options: Balance as at 01/01/2010	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Balance as at 31/12/2010	Date of grant of option share	Exercisable periods of share options (Note i)	Price of shares: Exercise price per share option HK$	Immediately preceding the grant date of share option (Note ii) HK$	Immediately preceding the exercise date of share option (Note iii) HK$
Directors											
Ng Yuk Yeung, Paul	5,000,000	–	(1,666,667)	–	–	3,333,333	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	0.29
Ng Yuk Fung, Peter	5,000,000	–	(1,666,667)	–	–	3,333,333	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	0.285
Sub-total	10,000,000	–	(3,333,334)	–	–	6,666,666					
Others											
In aggregate	333,334	–	–	–	–	333,334	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
	3,000,000	–	–	(1,000,000)	–	2,000,000	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A
	666,666	–	–	–	–	666,666	10/05/2007	10/05/2008 to 09/05/2012	0.3100	0.20	N/A
Sub-total	4,000,000	–	–	(1,000,000)	–	3,000,000					
Total	**14,000,000**	**–**	**(3,333,334)**	**(1,000,000)**	**–**	**9,666,666**					

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(b) Details of share options granted or outstanding *(Continued)*

2009

	Number of share options								Price of shares		
Name and category of participant	**Balance as at 01/01/2009**	**Granted during the year**	**Exercise during the year**	**Lapsed during the year**	**Cancelled during the year**	**Balance as at 31/12/2009**	**Date of grant of option share**	**Exercisable periods of share options** *(Note i)*	**Exercise price per share option** HK$	**Immediately preceding the grant date of share option** *(Note ii)* HK$	**Immediately preceding the exercise date of share option** *(Note iii)* HK$
Directors											
Ng Yuk Yeung, Paul	5,000,000	–	–	–	–	5,000,000	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Ng Yuk Fung, Peter	5,000,000	–	–	–	–	5,000,000	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Sub-total	10,000,000	–	–	–	–	10,000,000					
Others											
In aggregate	1,000,000	–	(666,666)	–	–	333,334	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	0.623
	3,000,000	–	–	–	–	3,000,000	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A
	2,000,000	–	(1,333,334)	–	–	666,666	10/05/2007	10/05/2008 to 09/05/2012	0.3100	0.20	0.623
Sub-total	6,000,000	–	(2,000,000)	–	–	4,000,000					
Total	**16,000,000**	**–**	**(2,000,000)**	**–**	**–**	**14,000,000**					

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(b) Details of share options granted or outstanding *(Continued)*

Notes:

(i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 36th months	33 1/3%
25th – 48th months	33 1/3%
37th – 60th months	33 1/3%

(ii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

(iii) The weight average closing price of the shares immediately before the date on which the options are exercised.

(iv) The fair values of share options granted under the Scheme on 14 March 2007, 2 April 2007 and 10 May 2007 and measured at the respective dates of grant were approximately HK$2,199,999, HK$945,000 and HK$619,999 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 March 2007	2 April 2007	10 May 2007
Expected volatility	457%	461%	474%
Expected life (in years)	5.0	5.0	5.0
Risk free interest rate	4.2%	4.2%	4.2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(v) For the year ended 31 December 2010, employee compensation expense of HK$68,000 has been recognised in income statement (2009: HK$432,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2010		2009	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January	**14,000,000**	**0.242**	16,000,000	0.247
Exercised	**(3,333,334)**	**0.243**	(2,000,000)	0.279
Lapsed	**(1,000,000)**	**0.315**	–	–
Balance at 31 December	**9,666,666**	**0.238**	14,000,000	0.242

The options outstanding at 31 December 2010 had an exercise prices of HK$0.2166 to HK$0.3150 (2009: HK$0.2166 to HK$0.3150) and a weighted average remaining contractual life of 2 years (2009: 3 years).

34. RESERVES

GROUP

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on page 29.

COMPANY

	Share premium HK$'000	Capital reserve HK$'000	Capital contribution reserve HK$'000	Employee compensation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	11,483	652	–	3,265	148,232	(65,041)	98,591
Contribution from shareholder	–	–	276,375	–	–	–	276,375
Exercise of share options	1,176	–	–	(638)	–	–	538
Conversion of convertible notes	757,605	–	–	–	(148,232)	–	609,373
Recognition of equity settled share-based compensation	–	–	–	432	–	–	432
Loss for the year	–	–	–	–	–	(18,962)	(18,962)
At 31 December 2009 and 1 January 2010	770,264	652	276,375	3,059	–	(84,003)	966,347
Contribution from shareholder	–	–	15,187	–	–	–	15,187
Exercise of share options	1,578	–	–	(889)	–	–	689
Transfer to accumulated losses	–	–	–	(420)	–	420	–
Recognition of equity settled share-based compensation	–	–	–	68	–	–	68
Loss for the year	–	–	–	–	–	(12,247)	(12,247)
At 31 December 2010	**771,842**	**652**	**291,562**	**1,818**	**–**	**(95,830)**	**970,044**

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve, employee compensation reserve, convertible notes equity reserve and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2010 amounted to approximately HK$970,044,000 (2009: HK$966,347,000).

35. OPERATING LEASE COMMITMENTS

GROUP

(a) As lessor

The Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

As at 31 December 2010, the Group had total future minimum lease receivables under non-cancaellable operating leases with its tenants falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**21,971**	–
In the second to fifth years, inclusive	**55,779**	–
Over five years	**1,532**	–
	79,282	–

(b) As lessee

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**890**	704
In the second to fifth years, inclusive	**339**	–
	1,229	704

COMPANY

At 31 December 2010, the Company does not have any significant operating lease commitments (2009: Nil).

36. CAPITAL COMMITMENTS

GROUP

	2010 **HK$'000**	2009 HK$'000
Contracted but not provided for:		
– Expenditure in respect of investment properties/ properties under development	**105,343**	142,935
– Expenditure in respect of leasehold interest in land	**1,688,920**	550,857
– Investment in equity interest	**11,601**	11,124
	1,805,864	704,916

Payment in respect of leasehold interest in land is dependent on the progress of reallocation of existing tenants and abolishment work. Based on the current status, the Directors expect no payments will be required in fiscal year 2011.

On 15 July 2010, the Group entered into a town development contract with the local authority of Hebei Province for the development of a new town which is situated about 15 kilometers east of Cangzhou City (滄州市), 60 Kilometers from Huanghua Port (黃驊港), 120 kilometers from Tianjin and 220 kilometers from Beijing. Huanghua Port is within the Tianjin-Bohai Coastal Economic Development Area (天津渤海沿海經濟開發區). The new town has been selected by the local authority as a strategic location for the development of the area and will be the center of all the government offices of Cang County (滄縣). The site covers a total area of about 24,000 mu, of which about 8,800 mu is reserved for industrial use and about 6,000 mu is reserved for commercial/residential use. The Group's estimated cost for building infrastructure would be in the region of RMB1 billion. Based on the current status, the directors expect no payment will be required in fiscal year 2011.

COMPANY

As at 31 December 2010, the Company does not have any significant capital commitments (2009: Nil).

37. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2010, the Group and the Company do not have any significant contingent liabilities (2009: Nil).

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year, the Group had significant related party transactions.

(a) Details of these transactions are as follows:

	2010 HK$'000	2009 HK$'000
(i) Purchase of services		
– Colour separation and photo processing fees paid to a fellow subsidiary	**46**	164
(ii) Operating lease expenses paid to a fellow subsidiary	**120**	277
(iii) Interest expenses paid to shareholders	**11,601**	–

(b) Details of the balances with related parties at the reporting date are included in notes 19, 25 and 30 to the consolidated financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include cash and bank balances, trade and other receivables and amount due from a non-controlling shareholder of a subsidiary. The Group's financial liabilities include trade and other payables, bank borrowings, amount due to a related company and loans from shareholders.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Foreign currency risk

The Group has no significant foreign currency risk due to its limited foreign currency trade related transactions during the year and immaterial foreign currency denominated monetary assets and liabilities as at the reporting date.

(b) Interest rate risk

As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings and loans from shareholders. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate net borrowings).

	Increase/ decrease in interest rate	**Effect on profit/(loss) before income tax and retained earnings**
	%	HK$'000
2010 – RMB	**+/– 50%**	**(2,531)**
2009 – RMB	+/– 50%	(1,502)

(c) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2010	2009
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Trade receivables	**141**	4,518
Other receivables	**7,989**	5,519
Amount due from a non-controlling shareholder of a subsidiary	**50,877**	44,461
Cash and bank balances	**100,769**	68,486
	159,776	122,984

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2009 and 2010, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows and are summarised below:

	Less than 1 year	Over 1 year	Total undiscounted cash flow
	HK$'000	HK$'000	HK$'000
At 31 December 2010			
Trade payables	**7,936**	**–**	**7,936**
Other payables	**28,783**	**–**	**28,783**
Amount due to a related company	**721**	**–**	**721**
Loans from shareholders	**–**	**353,137**	**353,137**
Bank borrowings	**608,590**	**–**	**608,590**
	646,030	**353,137**	**999,167**
At 31 December 2009			
Trade payables	6,253	–	6,253
Other payables	30,360	–	30,360
Amount due to a related company	3,842	–	3,842
Bank borrowings	–	369,005	369,005
	40,455	369,005	409,460

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

The consolidated financial statements are prepared on the going concern basis.

As at 31 December 2010, the Group had net current liabilities of HK$464,299,000. The Directors expect the refinancing of the Group's bank loans of HK$578,254,000 on long-term basis will be finalised in due course (note 29). The majority shareholders of the Company has undertaken to provide financial supports to the Group, should the Group fails to refinance the bank borrowings (note 30).

(e) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2010 and 2009 may be categorised as follows. See notes 3.11 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) *Financial assets*

	2010	2009
	HK$'000	HK$'000
Loans and receivables:		
Trade receivables	**141**	4,518
Other receivables	**7,989**	5,519
Amount due from a non-controlling shareholder of a subsidiary	**50,877**	44,461
Cash and bank balances	**100,769**	68,486
	159,776	122,984

(ii) *Financial liabilities*

	2010	2009
	HK$'000	HK$'000
Financial liabilities at amortised cost:		
Trade payables	**7,936**	6,253
Other payables	**28,783**	30,360
Amount due to a related company	**721**	3,842
Bank borrowings	**578,254**	369,005
Loans from shareholders	**336,321**	–
	952,015	409,460

40. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

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

The capital-to-overall financing ratio at reporting date was as follows:

	2010 **HK$'000**	2009 HK$'000
Capital		
Total equity	**2,227,337**	1,257,773
Overall financing		
Loans from shareholders	**336,321**	–
Bank borrowings	**578,254**	369,005
	914,575	369,005
Capital-to-overall financing ratio	**244%**	341%

41. POST BALANCE SHEET EVENT

Save as disclosed elsewhere in these consolidated financial statements the Group has the following significant post balance sheet event:

Pursuant to the share purchase agreement (the "Agreement") dated 11 January 2011 entered between Crystal Hub Limited, a subsidiary of the Company and South China Industries (BVI) Limited, a fellow subsidiary of the Company, Crystal Hub Limited had agreed to sell its equity interests of Autowill Group and the shareholder's loan to South China Industries (BVI) Limited for a consideration of HK$24.1 million.

Completion of the above transactions is conditional upon the fulfillment of certain conditions as specified in the agreement.

42. COMPARATIVE FIGURES

The comparative income statement and related notes to the financial statements have been re-presented as if the operation discontinued during the current year had been discontinued at beginning of the comparative period (note 11).

Financial summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)	2007 HK$'000 (Restated)	2006 HK$'000 (Restated)
Revenue					
Continuing operations	**844**	–	–	–	–
Discontinued operations	**14,611**	21,772	31,994	30,741	23,912
	15,455	21,772	31,994	30,741	23.912
Profit/(loss) from operations					
Continuing operations	**1,222,528**	(30,121)	(11,278)	(6,437)	–
Discontinued operations	**1,661**	(4,791)	(993)	2,031	153
	1,224,189	(34,912)	(12,271)	(4,406)	153
Finance costs					
Continuing operations	**(11,601)**	(18,392)	(28,089)	(17,791)	–
Discontinued operations	**–**	–	–	–	–
	(11,601)	(18,392)	(28,089)	(17,791)	–
Profit/(loss) before taxation					
Continuing operations	**1,210,927**	(48,513)	(39,367)	(24,228)	–
Discontinued operations	**1,661**	(4,791)	(993)	2,031	153
	1,212,588	(53,304)	(40,360)	(22,197)	153
Income tax expense					
Continuing operations	**(317,279)**	–	–	–	–
Discontinued operations	**(153)**	–	–	–	–
	(317,432)	–	–	–	–
Profit/(loss) for the year					
Continuing operations	**893,648**	(48,513)	(39,367)	(24,228)	–
Discontinued operations	**5,337**	(4,791)	(993)	2,031	153
	898,985	(53,304)	(40,360)	(22,197)	153
Attributable to					
Equity holders	**713,604**	(48,526)	(38,862)	(20,881)	153
Non-controlling interest	**185,381**	(4,778)	(1,498)	(1,316)	–
	898,985	(53,304)	(40,360)	(22,197)	153
Assets and liabilities and non-controlling interest					
Total assets	**3,635,756**	1,782,817	1,467,946	1,206,249	8,311
Total liabilities	**(1,408,419)**	(525,044)	(1,187,953)	(930,599)	(7,315)
Non-controlling interest	**(344,745)**	(151,978)	(118,893)	(112,491)	–
	1,882,592	1,105,795	161,100	163,159	996

Details of Properties

INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Fortuna Plaza, a development site located at the Western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC	Commercial	Business commenced during the year	–	80%	117,200 sq.m.	21,893.5 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2011	70%	9,956 sq.m.	6,147 sq.m.