ANNUAL REPORT 2010

New Capital
International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1062)

Contents

New Capital

Corporate Information

DIRECTORS

Executive Directors
Mr. Liu Xiao Guang *(Chairman)*
Mr. Lawrence H. Wood *(Chief Executive Officer)*
(also known as Wu Yuk Shing or Hu Xu Cheng)
Mr. Liu Xue Min
Mr. Shi Tao *(Resigned as Executive Director on 23 October 2010)*
Mr. Lin Si Yu *(Resigned as Executive Director on 23 October 2010)*
Mr. Xiong Wei *(Resigned as Executive Director on 23 October 2010)*
Mr. Pan Wentang *(Appointed as Executive Director on 5 February 2010)*
Mr. Ge Zemin *(Appointed as Executive Director on 5 February 2010)*

Independent Non-executive Directors
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

QUALIFIED ACCOUNTANT

Mr. Chu Kim Wah

COMPANY SECRETARY

Ms. Choi Oi Yin

AUDIT COMMITTEE

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REMUNERATION COMMITTEE

Mr. Liu Xiao Guang
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3306
Two Exchange Square
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

AUDITORS

BDO Limited

INVESTMENT MANAGER

KBR Management Limited
Suite 3306
Two Exchange Square
Central
Hong Kong

PROJECT MANAGER

ZY International Project Management (China) Limited
P.O. Box 957
Offshore Incorporations Centre
Tortola, British Virgin Islands

CUSTODIAN

Orangefield Management (Hong Kong) Limited
Room 1001-1002
10/F., Man Yee Building
68 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.newcapital.com.hk
www.irasia.com/listco/hk/newcapital

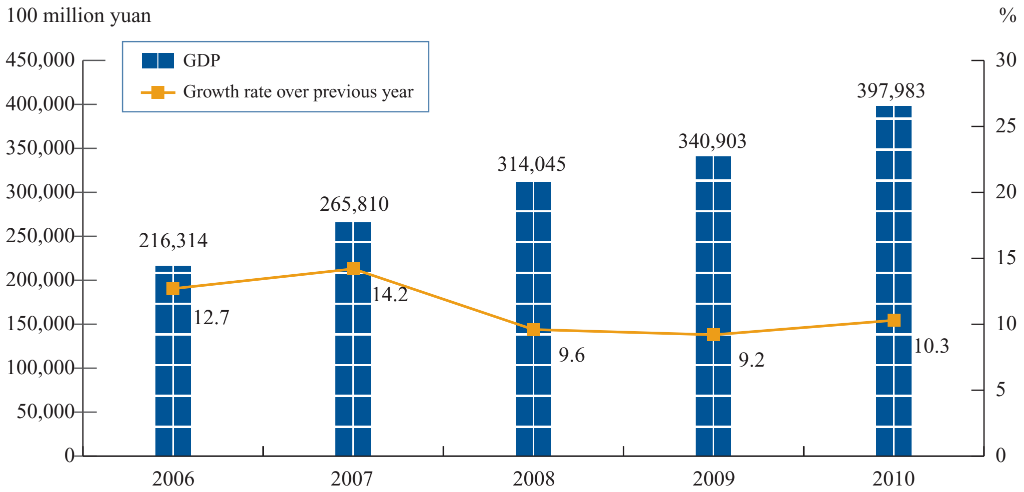
Chairman's Statement

For the year ended 31 December 2010, the audited loss for New Capital International Investment Limited ("**New Capital**" or the "**Company**") and its subsidiaries (the "**Group**") totaled HK$7,426,497. The consolidated net asset value per share of the Company was HK$0.303 as at 31 December 2010. The Group's audited loss for the year ended 31 December 2009, and consolidated net asset value per share as at 31 December 2009 were HK$10,689,725 and HK$0.259 respectively.

HIGHLIGHTS OF THE YEAR

China's economy rebounded strongly from the global financial crisis. For the whole year 2010, real GDP reached 39.80 trillion yuan, rose 10.3%, the fastest pace in three years and up from 9.2% in 2009. Investment and consumption were still the major contributors to last year's growth. Fixed-assets investment expanded 24.5% to 24.14 trillion yuan, while real-estate investment surged 33.5% to 5.76 trillion yuan.

Gross Domestic Product and the Growth Rates 2006-2010



Source: National Bureau of Statistics of China

Hong Kong economy underpinned by strong domestic demand, registered a robust growth in 2010. The Hong Kong capital market is continuously benefited from the low interest rate environment on the back of its USD peg, and liquidity inflows on the broad trend of RMB internationalization.

BUSINESS REVIEW

New Capital is an investment company and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The principal activity of the Group is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed or unlisted entities on a global basis. There was no change in the nature of the Company's principal activity in 2010.

2010 was a challenging year of the Group. In 2010, New Capital completed two share placements which raised funds of approximately HK$129 million and increased the issued share capital by 44% to 982,215,360 shares. The net proceeds raised from the share placements provide a strong capital base for the Group to explore business opportunities.

On 15 November 2010, New Capital and China Development Bank Capital Co., Ltd. ("**CDB Capital**") entered into a non-legally binding memorandum of understanding (the "**MOU**"). Pursuant to the MOU, CDB Capital proposes to subscribe and New Capital proposes to issue and allot 1,473,330,000 new shares at an issue price of HK$0.40 per share in cash. As at 23 March 2011, the Company is still in discussion with CDB Capital for the draft share subscription agreement and no definite share subscription agreement has been entered into between the Company and CDB Capital.

FUTURE PROSPECTS

Inflation is still the major concern of China's government in 2011. The major task of the government is to stabilize food prices and to curb the home price rising. In its attempt to cool the property market, the State Council announced on 26 January 2011 new tightening measures which include raising the down-payment for second-hand purchases to 60% from 50%; and levying sales tax on the sales revenue rather than capital gains for all residential properties sold within five years of purchase. China' economy under the tightening policy is expected to grow stability and moderately in 2011.

Hong Kong in its strategic location is the largest and deepest Chinese equity and debt market outside Mainland China. It is a pilot market for China's continuing financial market liberalization, and is the ideal platform for international investors keen to capitalize on the China's rapid economic growth. The board of directors of the Company maintains a positive outlook for the Company and would seize all opportunities to create best returns to the shareholders of the Company.

Management Discussion and Analysis

RESULT

For the year ended 31 December 2010, the audited loss for New Capital International Investment Limited ("**New Capital**" or the "**Company**") and its subsidiaries (the "**Group**") totaled HK$7,426,497. The consolidated net asset value per share of the Company was HK$0.303 as at 31 December 2010. The Group's audited loss for the year up to 31 December 2009, and consolidated net asset value per share as at 31 December 2009 were HK$10,689,725 and HK$0.259 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group was in a good liquidity position, with cash and bank balances of HK$200,621,488 (31 December 2009: HK$83,143,139). As all the cash was placed with a major bank in Hong Kong, the Group's exposure to credit risk is considered minimal. The board of directors of the Company believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 31 December 2010, the Group had net assets of HK$297,610,653 (31 December 2009: HK$176,414,271) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

The Group has completed two share placements for the year at 31 December 2010.

On 25 January 2010, New Capital completed a share placement and allotted 136,418,800 new shares to Beijing Capital (Hong Kong) Limited, the total number of issued share capital of the Company increased to 818,512,800 thereof up to 28 December 2010.

On 28 December 2010, New Capital completed another share placement and allotted 163,702,560 new shares to Yoobright Investments Limited, the total number of issued share capital of the Company increased to 982,215,360.

On 15 November 2010, New Capital and China Development Bank Capital Co., Ltd. ("**CDB Capital**") entered into a non-legally binding memorandum of understanding (the "**MOU**"). Pursuant to the MOU, CDB Capital proposes to subscribe and New Capital proposes to issue and allot 1,473,330,000 new shares at an issue price of HK$0.40 per share in cash. As at 23 March 2011, the Company is still in discussion with CDB Capital for the draft share subscription agreement and no definite share subscription agreement has been entered into between the Company and CDB Capital.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, there were no charges on the Group's assets or any significant contingent liabilities (31 December 2009: nil)

PORTFOLIO REVIEW

Beijing Far East Instrument Co., Ltd. ("Beijing Far East")

Beijing Far East is a leading industrial precision instrument manufacturer in China. It is a joint venture formed by the Group and Beijing Instrument Industry Holding Co. Ltd. in 1994. The principal business of Beijing Far East is to manufacture meters and precision measuring instruments. Beijing Far East cooperates with Rosemount, the subsidiary of the US Emerson Group, in producing advanced industrial pressure transmitter instruments.

Recent years, Beijing Far East has explored into automated products and industrial integrated control system, it joined hand with other companies and property developers into sector of intelligent building control system and construction technology.

During the year 2010, Beijing Far East received a government subsidy of about RMB16 million for a project which has not been fully implemented and launched. According to the financial reporting standard adopted in Hong Kong, such amount cannot be recognised as income in the year 2010, and will be reflected in the coming years when the project launchs. Also due to the significant increase of operating expenses in R&D and staff costs, Beijing Far East produced an adjusted loss and the Group shared 25% of about HK$930,000 for the year 2010.

Retail Floors of Wuhan Xing Cheng Building

On June 2007, the Group acquired the beneficial interest of Profit Harbour Industrial Limited, which holds 4,424m sqm of the two retail floors of Wuhan Xing Cheng Building. On October 2010, the Group seized the market opportunities and disposed the investment with a gain of HK$15.9 million.

Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. ("Capital Aihua")

On November 2010, the Group invested RMB28.97 million in acquiring 12% equity interest of Capital Aihua. Capital Aihua is a joint venture established in December 2001. The principal business of Capital Aihua is to provide municipal and environmental consultancy services in China. It specializes in water supply project, covering consultancy works from engineering, procurement, construction and management.

Pursuant to the equity transfer agreement in relation to the acquisition of 12% equity interest of Capital Aihua, the Group has an option to request the seller under such agreement to repurchase the 12% equity interest in Capital Aihua at the cost of the acquisition plus a guaranteed return at 15% per annum. The investment provides a potential good return to the Group.

New Capital

Report of the Directors

The board of directors (the "**Directors**" or the "**Board**") of NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED (the "**Company**" or "**New Capital**") present their report to the shareholders of the Company together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis.

SUBSIDIARIES AND ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2010 are set out in notes 16 to 18, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the financial year ended 31 December 2010 are set out in the consolidated statement of comprehensive income as set out on page 24 of the annual report.

FIVE YEARS GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is given on page 69 of the annual report.

DIVIDEND

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 26 to the consolidated financial statements.

RESERVES

Movements in the reserves during the financial year are set out on page 27 of the annual report.

DISTRIBUTABLE RESERVE

At 31 December 2010, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$143,643,800 (2009: HK$39,367,174).

DIRECTORS

The Directors of the Company during the financial year were:

Executive Directors

Mr. Liu Xiao Guang	*(Chairman)*
Mr. Lawrence H Wood *(also known as Wu Yuk Shing or Hu Xu Cheng)*	*(Chief Executive Officer)*
Mr. Liu Xue Min	
Mr. Shi Tao	*(Resigned as Executive Director on 23 October 2010)*
Mr. Lin Si Yu	*(Resigned as Executive Director on 23 October 2010)*
Mr. Xiong Wei	*(Resigned as Executive Director on 23 October 2010)*
Mr. Pan Wentang	*(Appointed as Executive Director on 5 February 2010)*
Mr. Ge Zemin	*(Appointed as Executive Director on 5 February 2010)*

Independent Non-executive Directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

Mr. Lawrence H Wood, Mr. Liu Xue Min and Dr. Kwong Chun Wai Michael will retire by rotation from the Board in accordance with Article 88 of the articles of association of the Company (the "**Articles**") at the forthcoming annual general meeting. Mr. Lawrence H Wood, Mr. Liu Xue Min and Dr. Kwong Chun Wai Michael, all being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the Directors of the Company and their respective associates had interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company Issuers (the "**Model Code**") set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange, details of which are set out in the section headed "Interests and Short Positions of Substantial Shareholders" below.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2010, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate% of shareholding
Beijing Capital (Hong Kong) Limited	81,418,800	8.29
Mr. Liu Tong (Note)	163,702,560	16.67
Yoobright Investments Limited (Note)	163,702,560	16.67

Note:

Yoobright Investments Limited is beneficially and wholly owned by Mr. Liu Tong. Mr. Liu Tong is therefore deemed to be interested in the same parcel of shares held by Yoobright Investments Limited.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

DIRECTORS' INTERESTS IN CONTRACTS

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

SHARE OPTION SCHEME

As at 31 December 2010, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

1. Purpose

To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company

2. Participants

Any director, employee, executive of the Company, or any subsidiaries from time to time of the Company

3. **The total number of ordinary securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report.**

   64,711,400 ordinary shares, which represents 6.59% of the issued share capital at date of this annual report

4. **Maximum entitlement of each participant**

   Not to exceed 1% of the issued share capital in any 12 month period

5. **Period within which the securities must be taken up under an option**

   30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option

6. **Minimum period for which an option must be held before it can be exercised**

   6 calendar months after the offer date of the relevant option

7. **Amount payable on application or acceptance of the option**

   HK$10

8. **Period within which payments or calls must or maybe made or loans for such purpose must be repaid**

   Not applicable

9. **The basis of determining the exercise price**

   The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher

10. **The remaining life of the share option scheme**

    Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme.

Since the adoption of the share option scheme of the Company on 7 February 2005, no options to subscribe for ordinary share in the Company have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

Report of the Directors

CONTINUING CONNECTED TRANSACTION

Under an investment management agreement between the Company and KBR Management Limited ("**KBR**") dated 3 March 2008, KBR agreed to provide investment management advice and all matters relating to the Company's listing status and regulations in relation to Listing Rules and corporate governance to the Company for an initial term of three years, subject to renewal for a term of three years.

KBR is a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 24 August 2007, and is principally engaged in the business of provision of financial and investment advisory services to clients on direct investment projects and is a deemed licensed corporation to carry out Type 4 (advising on securities), Type 6 (corporate finance) and Type 9 (asset management) regulated activities under the SFO. The sole shareholder of KBR is Mr. Kwan Bo Ren. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owners of KBR are independent third parties and are not connected with the Company and its connected persons. The board of directors of KBR includes Mr. Kwan Bo Ren and Ms. Lau Yin Wing. KBR, in accordance with the terms of the agreement, is entitled to a fee of HK$400,000 per annum, payable quarterly in advance. KBR is regarded as a connected person of the Company and accordingly the investment management agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2010 was HK$400,000.

The Directors engaged the auditor of the Company to perform certain procedures in respect of continuing connected transaction of the Company. The procedures were performed solely to assist the Directors of the Company to evaluate in accordance with Rules 14A.38 of the Listing Rules whether the above continuing connected transaction:

(a) had received the approval of the Directors of the Company;

(b) had been entered into in accordance with the terms of the relevant agreement governing the transaction; and

(c) had not exceeded the relevant cap amount for the financial year ended 31 December 2010.

The Independent Non-executive Directors have reviewed the continuing connected transaction and the letter of the auditor and have confirmed that the transaction has been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the relevant agreements governing such transactions and that the transaction is fair and reasonable and in the interests of the shareholders of the Company as a whole.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" above.

No options were granted to, or exercised by, the Directors during the year. There was no outstanding option granted to the Directors at the beginning and at the end of the financial year.

Save as disclosed above, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 21.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INVESTMENTS

Details of the Group's investments as at 31 December 2010 are set out on pages 5 to 6.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2010.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

EMPLOYEE

As at 31 December 2010, the Company has 9 employees. Basic salary, double pay, discretionary bonus and mandatory provident fund scheme are provided to these employees. The Company has adopted a share option scheme on 7 February 2005 for the purposes of providing incentives and rewards to eligible participants who have made contribution to the Group.

Report of the Directors

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three Independent Non-executive Directors. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2010 annual results was reviewed and recommended to the Board for approval by the Audit Committee.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Company for the financial years ended 31 December 2008 and 31 December 2009 were audited by Deloitte Touche Tohmatsu and Grant Thornton respectively. Due to a merger of the businesses of Grant Thornton and BDO Limited to practise in the name of BDO Limited, Grant Thornton has resigned with effect from 2 December 2010 and BDO Limited has been appointed as auditor of the Company with effect from 13 December 2010 to fill the casual vacancy following the resignation of Grant Thornton until the conclusion of the next annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as the auditor of the Company.

The consolidated financial statements for the year ended 31 December 2010 were audited by BDO Limited who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment.

By Order of the Board of Directors of
NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED

Liu Xiao Guang
Chairman

Hong Kong, 23 March 2011

Biographical Details of Directors

New Capital

EXECUTIVE DIRECTORS

Mr. Liu Xiao Guang *(Chairman)*

Mr. Liu Xiao Guang, aged 56, has been appointed as Executive Director of the Company since April 2004. He is also the Chairman of the Board and the member of the Remuneration Committee of the Company. Mr. Liu holds a bachelor degree in economics from Beijing Commerce College in 1982. Mr. Liu is currently the vice-chairman and general manager of Beijing Capital Group Co., Ltd., a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government. He is also the chairman of Beijing Capital Co. Ltd. (listed on the Shanghai Stock Exchange, stock code: 600008), which is a A-Share company listed on the Shanghai Stock Exchange and is a water-supply and infrastructure investment company. Mr. Liu is also the chairman of the board of directors of Beijing Capital Land Ltd. (stock code: 2868), which is a H-share company listed on the main board of the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. He is also the director of Beijing Capital (Hong Kong) Limited, the substantial shareholder of the Company. Mr. Liu was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. He has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr. Liu also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing.

Mr. Lawrence H. Wood *(Chief Executive Officer)* *(also known as Wu Yuk Shing or Hu Xu Cheng)*

Mr. Lawrence H. Wood, aged 49, has been appointed as Executive Director of the Company since August 2003. He is also the Chief Executive Officer of the Company. Mr. Wood holds a bachelor degree in economics from the Beijing Economics College in 1983. Over the past 13 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on Beijing Government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals as well as supervising sino-foreign investments in Beijing. He is also a director of certain subsidiaries of the Company.

Mr. Liu Xue Min

Mr. Liu Xue Min, aged 52, has been appointed as Executive Director of the Company since April 2004. Mr. Liu graduated from Post Graduate Institute of Chinese Academy of Social Science in the PRC in 1998, majoring in currency and banking. Mr Liu has been the chairman of First Capital Securities Co., Limited (formerly known as Foshan Securities Co., Limited) since December 1997.

Biographical Details of Directors

Mr. Pan Wentang

Mr. Pan Wentang, aged 45, has been appointed as Executive Director of the Company since February 2010. Mr. Pan is currently the deputy general manager of Beijing Capital Group Co., Ltd. and the director of Beijing Capital Co. Ltd. (listed on the Shanghai Stock Exchange, stock code: 600008). He is also the president of Environment for China Federation of Industry Chamber of Commerce.

Mr. Pan is an expert in the water industry in China. He is responsible for the investment and management in public utilities and water industry in Beijing Capital Co. Ltd. Mr. Pan is the vice chairman of CGE-BC Water Investment Co. Ltd. (a joint venture between Beijing Capital Co. Ltd. and Veolia Water Group of France) and Shenzhen Water (Group) Co., Ltd. He is also the director of Beijing Capital (Hong Kong) Limited, the substantial shareholder of the Company. Mr. Pan acts in various societies in water industry. He is the executive director of China Urban Water Association and Chinese Hydraulic Engineering Society.

Mr. Pan holds a master degree from Capital University of Economics and Business. Prior to joining the water industry business, he had been the assistant lecturer of Capital University of Economics and Business, assistant economist of Economic Development and Planning Department of Beijing Municipal Planning Committee, research analyst and investment manager in Dharmala Capital (Hong Kong) Limited and various posts in investment and corporate strategy planning in Beijing Capital Group.

Mr. Ge Zemin

Mr. Ge Zemin, aged 57, has been appointed as Executive Director of the Company since February 2010. Mr. Ge is a senior economist and holds a bachelor degree in Finance from the Central University of Finance and Economics (formerly known as Central College of Finance and Economics) in the PRC. Mr. Ge has engaged in international finance and international trading business in Hong Kong since 1985. Mr. Ge has served as the chief overseas business officer of Beijing Capital Co., Ltd. since 2003. He is in charge of exploring overseas business opportunities and overseeing the company's overseas operations in Beijing Capital Co. Ltd. He is also a general manager and a director of Beijing Capital (Hong Kong) Limited, deputy general manager of CGE-BC Water Investment Co. Ltd. Mr. Ge also held various management positions in several companies both in the PRC and Hong Kong. He has extensive experience and business development capabilities in international finance, domestic and international investments, and international trade.

NDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei

Mr. To Chun Kei, aged 44, has been appointed as Independent Non-executive Director of the Company since April 2004. He is also the member of the audit committee and remuneration committee of the Company. Mr. To holds a bachelor degree in business administration from The University of Western Sydney, Australia and a master degree in professional accounting from The Hong Kong Polytechnic University in 2009. He is a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. To has over 20 years of experience in accounting and financial management. He is the financial controller of a private company in Hong Kong which is primarily engaged in the property investment business from 2001 to present.

Dr. Kwong Chun Wai Michael

Dr. Kwong Chun Wai Michael, aged 46, has been appointed as Independent Non-executive Director of the Company since April 2004. He is also the member of the audit committee and remuneration committee of the Company. Dr. Kwong holds a bachelor degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987; and a master degree in business administration total quality management and a doctor degree in business administration both from Newport University in the United States of America in 1995 and 2001 respectively. He is a fellow member of the International Institute of Management, a life member of the Hong Kong Institute of Marketing and a member of the Institute of Supply Chain Management. Dr. Kwong is currently an independent non-executive Director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange, a director of the Hong Kong Economic and Trade Association, examiner of Cambridge Career Awards in Business, University of Cambridge Local Examination Syndicate in the United Kingdom and a business strategist specialising in the area of marketing and business administration. He has worked in leading media corporations as senior executives and served in the past as executive committee member in the Hong Kong branch of the Chartered Institute of Marketing and council member of the Hong Kong Institute of Marketing.

Mr. Fung Tze Wa

Mr. Fung Tze Wa, aged 54, has been appointed as Independent Non-executive Director since April 2004. He is also the member of the audit committee and remuneration committee of the Company. Mr. Fung holds a master degree in professional accounting from Hong Kong Polytechnic University in 2000. Mr. Fung is a certified public accountant. He is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Fung has been a director of World Link CPA Limited since 2007 and had worked in the fields of accounting and finance in several listed companies in Hong Kong for over 13 years. Mr. Fung has extensive experience in auditing, taxation and company secretarial practice in Hong Kong. He is an independent non-executive director of China Haidian Holdings Limited and Jiwa Bio-Pharm Holdings Limited, companies whose shares are listed on the Stock Exchange.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In order to maintain high standards of corporate governance, the Company has applied the principles and complied with the code provisions (the "**Code Provisions**") of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2010 with the exception of the following:–

Code Provision E.1.2	The chairman of the Board did not attend the annual general meeting held on 26 May 2010 due to business commitment.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2010.

BOARD OF DIRECTORS

As at 31 December 2010, the Board comprised eight Directors as follows:

Executive Directors:

Mr. Liu Xiao Guang	*(Chairman)*
Mr. Lawrence H Wood *(also known as Wu Yuk Shing or Hu Xu Cheng)*	*(Chief Executive Officer)*
Mr. Liu Xue Min	
Mr. Pan Wentang	*(Appointed as Executive Director on 5 February 2010)*
Mr. Ge Zemin	*(Appointed as Executive Director on 5 February 2010)*

Independent Non-executive Directors:
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

Mr. Shi Tao, Mr. Lin Si Yu and Mr. Xiong Wei resigned as Executive Directors on 23 October 2010.

As at 31 December 2010, the Board comprises five Executive Directors (one of whom is the Chairman) and three Independent Non-executive Directors. Those three Independent Non-executive Directors, two of them possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board. The biographical details of the directors are set out on pages 14 to 16 of this Annual Report.

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The Independent Non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each Independent Non-executive Director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these Independent Non-executive Directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. The Company has four regular Board meetings for a year. Notice of at least 14 days for each of the regular meetings was given to the Directors. The Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, eleven full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of director		**Number of board meetings attended**	**Attendance rate**
Executive Directors			
Mr. Liu Xiao Guang	*(Chairman)*	11/11	100.00%
Mr. Lawrence H. Wood	*(Chief Executive Officer)*	10/11	90.91%
(also known as Wu Yuk Shing or Hu Xu Cheng)			
Mr. Liu Xue Min		5/11	45.45%
Mr. Shi Tao	*(Note 1)*	0/11	0%
Mr. Lin Si Yu	*(Note 2)*	1/11	9.09%
Mr. Xiong Wei	*(Note 3)*	0/11	0%
Mr. Pan Wentang	*(Note 4)*	5/11	45.45%
Mr. Ge Zemin	*(Note 5)*	5/11	45.45%
Independent Non-executive Directors			
Mr. To Chun Kei		10/11	90.91%
Dr. Kwong Chun Wai Michael		7/11	63.64%
Mr. Fung Tze Wa		10/11	90.91%

Notes:

1. Mr. Shi Tao resigned as Executive Director of the Company on 23 October2010.

2. Mr. Lin Si Yu resigned as Executive Director of the Company on 23 October2010.

3. Mr. Xiong Wei resigned as Executive Director of the Company on 23 October2010.

4. Mr. Pan Wentang was appointed as Executive Director of the Company on 5 February 2010.

5. Mr. Ge Zemin was appointed as Executive Director of the Company on 5 February 2010.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Liu Xiao Guang and the Chief Executive Officer of the Company is Mr. Lawrence H. Wood. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles. In accordance with the relevant provisions in the Articles, the appointment of directors is considered by the board and they must stand for election by shareholders at the annual general meetings.

The Independent Non-executive Directors of the Company are appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Articles.

AUDIT COMMITTEE

As at 31 December 2010, the Audit Committee comprised the following Audit Committee members:

Mr. To Chun Kei *(Chairman)*
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

All of the Audit Committee members are Independent Non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005 and revised in 2009.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2010.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of director	Number of Audit Committee meetings attended	Attendance rate
Mr. To Chun Kei	2/2	100%
Dr. Kwong Chun Wai Michael	2/2	100%
Mr. Fung Tze Wa	2/2	100%

REMUNERATION COMMITTEE

As at 31 December 2010, the remuneration committee of the Company ("**Remuneration Committee**") comprised the following remuneration committee members:

Mr. Liu Xiao Guang *(Chairman)*
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005 and revised in 2007.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Group and the desirability of performance-based remuneration.

During the year, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of director	Number of Remuneration Committee meetings attended	Attendance rate
Mr. Liu Xiao Guang	1/1	100%
Mr. To Chun Kei	1/1	100%
Dr. Kwong Chun Wai Michael	1/1	100%
Mr. Fung Tze Wa	1/1	100%

AUDITOR'S REMUNERATION

Grant Thornton was re-appointed by the shareholders of the Company as the Company's auditor at the annual general meeting of the Company on 26 May 2010. Grant Thornton has resigned as auditor of the Company and its subsidiaries with effect from 2 December 2010; and BDO Limited has been appointed as auditor of the Company with effect from 13 December 2010 to fill the casual vacancy following the resignation of Grant Thornton until the conclusion of the next annual general meeting of the Company. Both their engagements of the audit services for 2010 have been reviewed and approved by the Audit Committee.

During the year 2010, no auditor's remuneration was paid to BDO Limited. The remuneration paid to Grant Thornton, the resigned auditor of the Company, for the audit and non-audit services rendered to the Group are as follows:

	HK$
Interim review services	110,000
Annual audit services	425,000
Other non-audit services	70,000

New Capital

Corporate Governance Report

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The Directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements, circulars as well as Company's website.

The annual general meeting provides a useful forum for shareholders to exchanges views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2010 in accordance with the Procedure Manual of the Company. The report was submitted to the Audit Committee to review.

Independent Auditor's Report

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香港干諾道中111號
永安中心25樓

To the shareholders of New Capital International Investment Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Capital International Investment Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 24 to 68, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY (continued)

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

23 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$	2009 HK$
Revenue	7	**499,657**	169,238
Operating expenses		**(19,710,373)**	(11,234,902)
Share of loss of associates		**(7,849,260)**	(5,590,190)
Share of profit/(loss) of jointly controlled entities		**4,633,919**	(309,721)
Changes in fair value of financial assets held for trading		**(853,820)**	6,797,850
Gain on disposals of jointly controlled entities	8(b), 18	**15,853,380**	–
Loss before income tax	8	**(7,426,497)**	(10,167,725)
Income tax expense	9	**–**	(522,000)
Loss for the year		**(7,426,497)**	(10,689,725)
Other comprehensive income			
Exchange differences on translation of financial statements of associates		**1,508,095**	353,886
Other comprehensive income for the year		**1,508,095**	353,886
Total comprehensive income for the year		**(5,918,402)**	(10,335,839)
Loss for the year attributable to:			
Owners of the Company	10	**(7,426,497)**	(10,689,725)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(5,918,402)**	(10,335,839)
		HK cents	HK cents
Loss per share for loss attributable to the owners of the Company during the year	12		
– Basic		**(0.92)**	(1.57)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$	2009 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**85,366**	74,350
Interests in associates	17	**59,195,669**	65,536,834
Interest in a jointly controlled entity	18	**–**	13,716,271
Available-for-sale financial assets	19	**31,808,623**	–
Other financial assets	20	**2,185,745**	–
Loan to a jointly controlled entity	21	**–**	4,996,430
		93,275,403	84,323,885
Current assets			
Financial assets held for trading	22	**17,030,506**	19,594,361
Other receivables, prepayments and deposits	23	**3,347,904**	1,068,601
Cash and cash equivalents	24	**200,621,488**	83,143,139
		220,999,898	103,806,101
Current liabilities			
Other payables and accruals		**15,827,648**	10,878,715
Net current assets		**205,172,250**	92,927,386
Total assets less current liabilities		**298,447,653**	177,251,271
Non-current liabilities			
Deferred tax liabilities	25	**837,000**	837,000
Net assets		**297,610,653**	176,414,271
EQUITY			
Share capital	26	**9,822,154**	6,820,940
Reserves	28	**287,788,499**	169,593,331
Total equity		**297,610,653**	176,414,271
Net asset value per share	32	**0.303**	0.259

On behalf of the Board

Liu Xiao Guang
Director

Lawrence H. Wood
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$	2009 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**85,366**	74,350
Interests in subsidiaries	16	**32**	24
		85,398	74,374
Current assets			
Financial assets held for trading	22	**17,030,506**	19,594,361
Other receivables, prepayments and deposits		**3,332,070**	1,068,601
Amounts due from subsidiaries	16	**54,781,146**	43,503,701
Cash and cash equivalents	24	**200,606,956**	83,136,384
		275,750,678	147,303,047
Current liabilities			
Other payables and accruals		**15,704,648**	10,755,715
Amounts due to subsidiaries	16	**106,395,194**	90,163,392
		122,099,842	100,919,107
Net current assets		**153,650,836**	46,383,940
Net assets		**153,736,234**	46,458,314
EQUITY			
Share capital	26	**9,822,154**	6,820,940
Reserves	28	**143,914,080**	39,637,374
Total equity		**153,736,234**	46,458,314

On behalf of the Board

Liu Xiao Guang
Director

Lawrence H. Wood
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company						
	Share capital HK$	Share premium HK$	Special reserve HK$	Exchange reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2009	6,820,940	170,887,413	382,880,958	8,145,413	270,200	(382,254,814)	186,750,110
Comprehensive income							
Loss for the year	–	–	–	–	–	(10,689,725)	(10,689,725)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	–	–	–	353,886	–	–	353,886
Total comprehensive income for the year	–	–	–	353,886	–	(10,689,725)	(10,335,839)
At 31 December 2009 and 1 January 2010	6,820,940	170,887,413	382,880,958	8,499,299	270,200	(392,944,539)	176,414,271
Transactions with owners							
Issuance of new shares	3,001,214	125,505,296	–	–	–	–	128,506,510
Share issue expenses	–	(1,391,726)	–	–	–	–	(1,391,726)
Total transactions with owners	3,001,214	124,113,570	–	–	–	–	127,114,784
Comprehensive income							
Loss for the year	–	–	–	–	–	(7,426,497)	(7,426,497)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	–	–	–	1,508,095	–	–	1,508,095
Total comprehensive income for the year	–	–	–	1,508,095	–	(7,426,497)	(5,918,402)
At 31 December 2010	9,822,154	295,000,983	382,880,958	10,007,394	270,200	(400,371,036)	297,610,653

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	**2010** **HK$**	2009 HK$
Cash flows from operating activities			
Loss before income tax		**(7,426,497)**	(10,167,725)
Adjustments for:			
Depreciation of property, plant and equipment	8	**45,987**	39,659
Share of losses of associates		**7,849,260**	5,590,190
Share of (profit)/loss of a jointly controlled entity		**(4,633,919)**	309,721
(Gain)/Loss on disposals of jointly controlled entities		**(15,853,380)**	65,221
Operating loss before working capital changes		**(20,018,549)**	(4,162,934)
Decrease/(Increase) in financial assets held for trading		**2,563,855**	(1,564,861)
(Increase)/Decrease in other receivables, prepayments and deposits		**(2,279,303)**	5,486,565
Increase/(Decrease) in other payables and accruals		**4,948,933**	(1,352,512)
Net cash used in operating activities		**(14,785,064)**	(1,593,742)
Cash flows from investing activities			
Proceeds from liquidation/disposal of jointly controlled entities		**39,200,000**	9,855,135
Loan repayments from a jointly controlled entity		**–**	2,474,059
Purchases of property, plant and equipment	15	**(57,003)**	(64,247)
Purchases of available-for-sale financial assets		**(31,808,623)**	–
Purchases of other financial assets		**(2,185,745)**	–
Net cash generated from investing activities		**5,148,629**	12,264,947
Cash flows from financing activities			
Proceeds from issuance of share capital		**128,506,510**	–
Share issue expenses		**(1,391,726)**	–
Net cash generated from financing activities		**127,114,784**	–
Net increase in cash and cash equivalents		**117,478,349**	10,671,205
Cash and cash equivalents at 1 January		**83,143,139**	72,471,934
Cash and cash equivalents at 31 December		**200,621,488**	83,143,139
Analysis of balances of cash and cash equivalents			
Deposits with banks		**7,510,087**	7,499,967
Cash at banks and in hand		**193,111,401**	75,643,172
		200,621,488	83,143,139

Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

New Capital International Investment Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 3306, Two Exchange Square, Central, Hong Kong. The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The principal activities of the Company and its subsidiaries (the "**Group**") are to achieve medium-term to long-term capital appreciation of its assets primarily through its investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. Other than the disposals of a jointly controlled entity as described in notes 8(b) and 18 and the acquisition of an available-for-sale financial asset as described in note 19 to the financial statements during the year, there were no significant changes in the nature of the principal activities of the Group during the year.

The financial statements have been prepared in Hong Kong Dollars ("**HK$**"), being the functional and presentation currency of the Company and of the Group.

The financial statements for the year ended 31 December 2010 were approved for issue by the board of directors on 23 March 2011.

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

2.1 Adoption of new/revised HKFRSs – effective 1 January 2010:

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 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

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

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

2.1 Adoption of new/revised HKFRSs – effective 1 January 2010: (continued)

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

The revised accounting policies 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 financial statements as there has been no business combination transaction during the year.

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 in the current year.

2.2 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 [1&2]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement [2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [1]
HKAS 24 (Revised)	Related Party Disclosures [2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets [3]
HKFRS 9	Financial Instruments [4]

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

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

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

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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 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 directors of the Company (the "**Directors**") anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Group is in the process of making an assessment of 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. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter referred to as the "**HKFRSs**") issued by HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

3.2 Basis of measurement

The financial statements have been prepared under historical cost convention except for other financial assets and financial assets held for trading which are stated at fair values.

The significant accounting policies that have been used in the preparation of these financial statements 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.

3. BASIS OF PREPARATION (continued)

3.2 Basis of measurement (continued)

It should be noted that accounting estimates and assumptions are used in preparation of the 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 financial statements are disclosed in note 5.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions and balances between group companies together with unrealised gains and losses 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

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using 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.

Changes in the Group's interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's interest is adjusted to reflect the changes in its relative interests in the subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Business combination and basis of consolidation (continued)

Business combination from 1 January 2010 (continued)

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

Business combination prior to 1 January 2010

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

4.2 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, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Associates and jointly controlled entities

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, investment in an associate or a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate or jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year including any impairment loss on the investment in associate or jointly controlled entity recognised for the year.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Where unrealised losses on assets sales between the Group and its associate or jointly controlled entities are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or jointly controlled entity's accounting policies to those of the Group when the associate's or jointly controlled entity's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or jointly controlled entity equals or exceeds its interest in the associate or jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that investment in associate or jointly controlled entity is impaired. Accounting policies on impairment of investment in associates or jointly controlled entities are described in note 4.7 below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 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 that 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 at 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 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 separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.5 Revenue recognition

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:

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

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

4.6 Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and the cost directly attributable to the acquisition of the items.

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 repairs and maintenance are recognised as expense in profit or loss during the year in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property, plant and equipment (continued)

Depreciation on other assets is provided to write off the cost less their estimated residual values, if any, using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements	3 years
Furniture and fixtures	3 years

The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

4.7 Impairment of non-financial assets

Property, plant and equipment, interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. These 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 ("**CGU**")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for CGUs are charged pro rata to the assets in the CGU, 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 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, if no impairment loss had been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 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.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. 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 straight-line method over the lease terms except where an alternative basis is more representative of the 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.

4.9 Financial assets

Financial assets are classified into loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. 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 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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:

- Financial assets held for trading; and
- Financial assets designated upon initial recognition as at fair value through profit or loss

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

(i) Financial assets at fair value through profit or loss (continued)

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 4.5 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

(iii) Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. 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.

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 any such evidence exists, the impairment loss is measured and recognised as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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.

Where the recovery of loans and 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 loans and receivables is remote, the amount considered irrecoverable is written off against loans and 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.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 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, tax 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 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 temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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 the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Accounting for income taxes (continued)

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.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value which are repayable on demand and form an integral part of the Group's cash management. For the purpose of statement of cash flows preparation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.12 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.

4.13 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme ("**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Employee benefits (continued)

Retirement benefits (continued)

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.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

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.

4.14 Share-based payments

The Group operates equity-settled share-based compensation plans 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 (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in equity compensation reserve in equity. 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 vest. 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 estimated.

At the time when the share options are exercised, the amount previously recognised in equity compensation reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Financial liabilities

The Group's financial liabilities include other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

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

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

4.16 Provisions, contingent liabilities and contingent assets

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Related parties

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

(i) 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;

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

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

(iv) the party is a member of 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;

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

(vi) 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.

4.18 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.

Segment assets exclude 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 the segment.

No asymmetrical allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 4.6. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

Fair value of put option

The directors use their judgement in selecting an appropriate valuation technique for the financial instrument as disclosed in note 20, which is a financial instrument not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is investment in securities and equity instruments. The executive directors regard it as a single business segment. Also, the measurement policies the Group adopted for segment reporting under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, therefore segment disclosures are not presented.

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

6. SEGMENT INFORMATION(continued)

The Group's non-current assets (other than financial instruments) are located in the following geographical area, which based on the physical location of the assets:

	2010 HK$	2009 HK$
People's Republic of China ("**PRC**")	**59,195,669**	79,253,105
Hong Kong	**85,366**	74,350
	59,281,035	79,327,455

For both the years ended 31 December 2010 and 2009, the Group's revenue was all derived in Hong Kong. The geographical analysis of revenue is based on the physical location of the underlying assets that generate the revenue.

7. REVENUE

Revenue, which is also the Group's turnover, represents interest income and dividend income receivable from financial assets held for trading. Revenue recognised during the year is as follows:

	2010 HK$	2009 HK$
Dividend income from financial assets held for trading	**479,060**	122,260
Interest income	**20,597**	46,978
	499,657	169,238

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2010 HK$	2009 HK$
Auditors' remuneration	**580,000**	500,000
Investment management fees (note 29.1)	**400,000**	400,000
Depreciation of property, plant and equipment	**45,987**	39,659
Operating lease charges for premises	**2,262,560**	2,028,340
Project management fees (note a)	**2,070,505**	1,801,644
Legal and professional fees	**6,982,134**	585,996
Net foreign exchange loss	**–**	2,337
(Gain)/Loss on disposals of jointly controlled entities (note b)	**(15,853,380)**	65,221

Notes:

a. Project management fees are paid to ZY International Project Management (China) Limited pursuant to a project management agreement on 1 October 2006, with an initial term of three years. The project management agreement was automatically renewed in September 2009 for a term of another three years from 1 October 2009.

b. During the year ended 31 December 2010, the Group has disposed of its interests in a jointly controlled entity, Profit Harbour Industries Limited ("**Profit Harbour**"), together with the loan to Profit Harbour, to an independent party at a cash consideration of HK$39,200,000. The disposal was completed in October 2010 and the sales proceeds of HK$39,200,000 were fully settled during the year. A gain on disposal of Profit Harbour of HK$15,853,380 has been recognised for the year (note 18).

During the year ended 31 December 2009, a jointly controlled entity, namely China Eco-hotel Investments Limited, was liquidated and a loss of HK$65,221 was recognised in the loss for that year.

9. INCOME TAX EXPENSE

For the years ended 31 December 2010 and 2009, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong for both years.

	2010 **HK$**	2009 HK$
Deferred tax (note 25)	–	522,000

Reconciliation between income tax expense and accounting loss at applicable tax rate:

	2010 **HK$**	2009 HK$
Loss before income tax	**(7,426,497)**	(10,167,725)
Tax on loss for the year calculated at 16.5%	**(1,225,372)**	(1,677,675)
Tax effect of non-deductible expenses	**1,627,061**	460,252
Tax effect of non-taxable income	**(2,698,167)**	(27,924)
Tax effect of share of losses of associates and jointly controlled entities	**530,531**	973,486
Tax effect of tax losses not recognised	**1,765,947**	271,861
Tax effect of undistributed profits of an associate	–	522,000
Income tax expense	–	522,000

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year of HK$7,426,497 (2009: HK$10,689,725), a loss of HK$19,836,864 (2009: HK$4,036,940) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not recommend the payment of dividends for the year ended 31 December 2010 (2009: Nil). The Company did not declare any interim dividend during the year (2009: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the Company's owners of HK$7,426,497 (2009: HK$10,689,725) and based on the weighted average of 811,337,000 (2009: 682,094,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2009 and 2010 have not been presented as there is no potential ordinary share in existence during both years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$	2009 HK$
Wages and salaries	3,623,920	3,097,695
Pension costs-defined contribution plans	57,860	57,998
Other benefits	179,923	129,142
	3,861,703	3,284,835

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' remuneration

2010

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Total HK$
Executive directors			
Liu Xiao Guang	31,000	–	31,000
Lawrence H Wood	740,000	–	740,000
Liu Xue Min	31,000	–	31,000
Pan Wentang (Appointed on 5 February 2010)	27,922	–	27,922
Ge Zemin (Appointed on 5 February 2010)	27,922	–	27,922
Shi Tao (Resigned on 23 October 2010)	25,203	–	25,203
Lin Si Yu (Resigned on 23 October 2010)	25,203	–	25,203
Xiong Wei (Resigned on 23 October 2010)	25,203	–	25,203
Independent non-executive directors			
To Chun Kei	103,000	–	103,000
Fung Tze Wa	103,000	–	103,000
Kwong Chun Wai Michael	103,000	–	103,000
	1,242,453	–	1,242,453

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.1 Directors' remuneration (continued)

2009

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Total HK$
Executive directors			
Liu Xiao Guang	30,000	–	30,000
Lawrence H Wood	720,000	–	720,000
Liu Xue Min	30,000	–	30,000
Shi Tao	30,000	–	30,000
Lin Si Yu	30,000	–	30,000
Xiong Wei	30,000	–	30,000
Cheng Bing Ren (Retired on 27 May 2009)	12,177	–	12,177
Independent non-executive directors			
To Chun Kei	100,000	–	100,000
Fung Tze Wa	100,000	–	100,000
Kwong Chun Wai Michael	100,000	–	100,000
	1,182,177	–	1,182,177

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2009: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.2 Five highest paid individuals

For the year ended 31 December 2010, the five individuals whose emoluments were the highest in the Group included one (2009: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the other four (2009: four) individuals for the year ended 31 December 2010 are as follows:

	2010 **HK$**	2009 HK$
Salaries and other benefits	**1,554,800**	1,507,014
Pension costs	**24,000**	33,250
	1,578,800	1,540,264

The emoluments fell within the following band:

	Number of individuals	
	2010	2009
Emolument bands		
Nil-HK$1,000,000	**4**	4

15. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
Cost			
At 1 January 2009	401,733	219,622	621,355
Additions	–	64,247	64,247
At 31 December 2009 and 1 January 2010	401,733	283,869	685,602
Additions	–	57,003	57,003
At 31 December 2010	401,733	340,872	742,605
Accumulated depreciation			
At 1 January 2009	401,733	169,860	571,593
Charge for the year	–	39,659	39,659
At 31 December 2009 and 1 January 2010	401,733	209,519	611,252
Charge for the year	–	45,987	45,987
At 31 December 2010	401,733	255,506	657,239
Net book amount			
At 31 December 2010	–	85,366	85,366
At 31 December 2009	–	74,350	74,350

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2010 HK$	2009 HK$
Unlisted shares, at cost	**32**	24
Amounts due from subsidiaries	**54,781,146**	43,503,701
Amounts due to subsidiaries	**106,395,194**	90,163,392

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

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

Name	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid up capital	Percentage of issued share capital held by the Company %	Principal activities
Pacific Equity Venture Inc.	British Virgin Islands ("BVI")	Limited liability company	Ordinary HK$ 1	100	Investment holding
Success Journey Ltd.	BVI	Limited liability company	Ordinary US$ 1	100	Investment holding
Kencheers Investments Ltd.	BVI	Limited liability company	Ordinary HK$ 1	100	Investment holding
Grow Reach International Limited	BVI	Limited liability company	Ordinary US$ 1	100	Investment holding
Legend Ocean Limited (Newly incorporated during the year)	BVI	Limited liability company	Ordinary US$ 1	100	Investment holding

17. INTERESTS IN ASSOCIATES – GROUP

	2010 **HK$**	2009 HK$
Share of net assets	**59,195,669**	65,536,834

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which in the opinion of the directors principally affected the results or net assets of the Group.

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of interest held by the Group: Voting	Proportion of interest held by the Group: Beneficial	Principal activities
China Property Development (Holdings) Limited ("**CPDH**")	Incorporated	Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares, all shares are at US$0.01 each	20.49%	33.42%	Investment holding
Beijing Far East Instrument Company Limited	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB 212,696,657	25%	25%	Manufacture of electronic and electrical instruments

All associates adopt 31 December as their year end date. The aggregate amounts of financial information as extracted from the unaudited management accounts of the associates are as follows:

	2010 **HK$'000**	2009 HK$'000
Assets	**529,084**	550,284
Liabilities	**(292,012)**	(293,096)
Revenue	**690,126**	680,654
Loss	**(24,015)**	(11,808)

The Group and the Company did not have any contingent liabilities or other commitments relating to its investment in associates as at 31 December 2010 and 2009.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY – GROUP

	2010 HK$	2009 HK$
Share of net assets	–	13,716,271

During the year, the Group disposed of its interest in jointly controlled entity, Profit Harbour, and its loan to this entity of HK$4,996,430 to an independent third party for a cash consideration of HK$39,200,000. Prior to the date of disposals, the Group shared a net profit of HK$4,633,919. Accordingly, a gain of HK$15,853,380 was recognised during the year. Details of the jointly controlled entity as at 31 December 2009, which is an unlisted corporate entity, are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	% of interest held	Principal activity
Profit Harbour	Incorporated	Hong Kong	300 ordinary shares, 9,000 non-voting ordinary shares and 700 redeemable voting deferred shares, all shares are at HK$1 each	30%	Investment holding

The Group's share of the jointly controlled entity’s assets, liabilities, income and expenses are as follows:

	2010 HK$'000	2009 HK$'000
Non-current assets	–	15,204
Current assets	–	33
Non-current liabilities	–	(22)
Current liabilities	–	(1,499)
Net assets	–	13,716
Income	**4,832**	1,036
Expenses	**(198)**	(1,346)

As at 31 December 2009, the Group and the Company did not have any contingent liabilities or other commitments relating to its jointly controlled entity.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2010 HK$	2009 HK$
Unlisted equity investment, at cost	31,808,623	–

During the year, the Group entered into an agreement ("**Agreement**") with Beijing Capital (Hong Kong) Limited ("**Beijing Capital**"), one of the shareholders of the Company, to acquire 12% equity interest in 首創愛華(天津)市政環境工程有限公司 (Note: For identification purpose, the English name of this company is Capital Aihua Municipal Environmental Engineering Limited. The official name of the company is in Chinese.) ("**Capital Aihua**") for a cash consideration of RMB28,970,000 (equivalent to HK$33,994,368).

Pursuant to the Agreement, Beijing Capital granted an option ("**Option**") to the Group that enables the Group to request Beijing Capital to reacquire the 12% equity interest in Capital Aihua at the cost of the acquisition plus a guaranteed return. The Option constitutes an embedded derivative, which can be separated from the Group's investment in the equity interests in Capital Aihua and accounted for as other financial assets. The fair value of the Option at the date of acquisition was HK$2,185,745 and the amount was separately recognised and measured. Details of the Option are set out in note 20.

The fair value information of this available-for-sale financial asset has not been disclosed because its fair value cannot be reliably measured.

20. OTHER FINANCIAL ASSET-GROUP

	2010 HK$	2009 HK$
Put option, at fair value	2,185,745	–

The balance related to the Option as mentioned in note 19, and is an embedded derivative arose from the acquisition of the equity interest in Capital Aihua, which was embedded in the available-for-sale financial asset. There has been no significant change in the fair value of the put option since the acquisition of the financial assets as mentioned in note 19 above.

21. LOAN TO A JOINTLY CONTROLLED ENTITY – GROUP

During the year, the Group disposed of this loan to a jointly controlled entity to an independent third party, details of which are set out in note 18.

As at 31 December 2009, the amount was interest-free, unsecured and was not repayable within next twelve months from the reporting date.

22. FINANCIAL ASSETS HELD FOR TRADING – GROUP AND COMPANY

	2010 HK$	2009 HK$
Equity investments stated at fair value		
Listed in Hong Kong	**17,030,506**	19,594,361

23. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – GROUP

	2010 HK$	2009 HK$
Put option (note)	**–**	6,000
Other receivables	**2,566,061**	382,378
Other prepayments and deposits	**781,843**	680,223
	3,347,904	1,068,601

Note: This represented the fair value of a put option to require the vendor to purchase all of the Group's beneficial interest in and a loan to Profit Harbour which was disposed during the year.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 HK$	2009 HK$	2010 HK$	2009 HK$
Deposits with banks	**7,510,087**	7,499,967	**7,510,087**	7,499,967
Cash at banks and in hand	**193,111,401**	75,643,172	**193,096,869**	75,636,417
	200,621,488	83,143,139	**200,606,956**	83,136,384

The effective interest rates of the deposits of the Group and the Company range from 0.05% to 0.21% (2009: 0.07% to 0.11%) per annum and all of them have a maturity within three months from initial recognition.

Included in cash and cash equivalents of the Group and the Company are the following amounts denominated in a currency other than the functional currency of the group entities to which they are related.

Group and Company	2010 HK$	2009 HK$
United States dollars ("**US$**")	**2,445,284**	2,486,804

25. DEFERRED TAX

Group

As at 31 December 2010, the Group had unused tax losses of HK$55,166,984 (2009: HK$44,464,273) available for offset against future profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses were incurred by the companies that have been loss-making for some time. These unused tax losses do not expire under current tax legislation.

Movement on deferred tax liabilities during the year is as follows:

	Undistributed profits of an associate HK$
At 1 January 2009	315,000
Recognised in profit or loss (note 9)	522,000
At 31 December 2009 and 31 December 2010	837,000

Company

As at 31 December 2010, the Company did not have any significant unprovided deferred tax liabilities (2009: Nil).

26. SHARE CAPITAL

	2010		2009	
	Number of shares ‘000	**Amount HK$**	Number of shares ‘000	Amount HK$
Authorised:				
Ordinary shares of HK$0.01 each	**12,000,000**	**120,000,000**	12,000,000	120,000,000
Issued and fully paid:				
At 1 January	**682,094**	**6,820,940**	682,094	6,820,940
Placement of shares (note)	**300,121**	**3,001,214**	–	–
At 31 December	**982,215**	**9,822,154**	682,094	6,820,940

Note

In January and December 2010, the Company has completed placement of 136,418,800 and 163,702,560 new ordinary shares at HK$0.27 and HK$0.56 per share respectively. These 300,121,360 new ordinary shares of HK$0.01 each issued from the placement have the same rights as other ordinary shares of the Company in issue. Total proceeds of the placements are HK$128,506,510.

The amount of HK$125,505,296 representing the excess of the fair value over the nominal value of the ordinary shares issued of HK$3,001,214 has been included in the share premium account (note 28).

27. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY

The Company operates a share option scheme (the "**Scheme**") under which the board of directors of the Company may grant options to the Group's employees, including directors, to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share. Maximum number of shares in respect of which options may be granted under the Scheme may not exceed 64,711,400 ordinary shares. Maximum entitlement for each participant under the Scheme is not permitted to exceed 1% of the issued share capital in any twelve month period. An amount of HK$10 is payable upon acceptance of an option as consideration and minimum period of six calendar months after the offer date of the relevant option must be held before it can be exercised.

The subscription price will be the highest of:

(a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant (being a business day);

(b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares of the Company.

There were no options granted under the Scheme during the years ended 31 December 2010 and 2009. There are no outstanding options as at the respective reporting dates.

28. RESERVES

Group

The amounts of the Group's reserves and movements therein during the year are presented in the consolidated statement of changes in equity.

Company

	Share premium HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2009	170,887,413	270,200	(127,483,299)	43,674,314
Loss and total comprehensive income for the year	–	–	(4,036,940)	(4,036,940)
At 31 December 2009 and 1 January 2010	170,887,413	270,200	(131,520,239)	39,637,374
Transactions with owners				
Issuance of new shares	125,505,296	–	–	125,505,296
Share issue expenses	(1,391,726)	–	–	(1,391,726)
Total transactions with owners	124,113,570	–	–	124,113,570
Loss and total comprehensive income for the year	–	–	(19,836,864)	(19,836,864)
At 31 December 2010	**295,000,983**	**270,200**	**(151,357,103)**	**143,914,080**

28. RESERVES (continued)

A summary of the nature of the reserve accounts is as follows:

Share premium

The share premium of the Company represents the aggregate of:

i. The excess of the value of the shares of ING Beijing Investment Company Limited ("**ING Beijing**") acquired pursuant to the scheme of arrangement which became effective in April 2005 (the "**ING Scheme**") over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account. The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

ii. The 2006 and 2007 final dividend payment as set out in the consolidated statement of changes in equity.

ING Beijing was liquidated in November 2005.

Special reserve

This represents the difference between the amount recorded as share capital issued by the Company pursuant to the ING Scheme and the amount recorded for the share capital of ING Beijing acquired.

Exchange reserve

This comprises all foreign exchange differences arising from the translation of the financial statements of associates and jointly controlled entities. The reserve is dealt with in accordance with the accounting policy set out in note 4.

Capital redemption reserve

This is the nominal value of shares cancelled upon repurchase.

Distributability of reserves

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

29. CONNENTED AND RELATED PARTY TRANSACTIONS

29.1 On 3 March 2008, the Group entered into an investment management agreement with KBR Management Limited ("**KBR**"). During the year, the Group paid investment management fee of HK$400,000 (2009: HK$400,000) to KBR. Investment managers of the Group are regarded as connected parties in accordance with the Listing Rule 21.13.

29.2 During the year, the Group paid key management personnel compensation as follows:

	2010 **HK$**	2009 HK$
Salaries and other short-term employee benefits	**2,797,253**	2,689,191
Retirement scheme contributions	**24,000**	33,250
	2,821,253	2,722,441

30. COMMITMENTS – GROUP AND COMPANY

30.1 Lease commitments

The Group and the Company lease office premises under operating lease arrangement, with lease negotiated for a term of three years. The lease arrangement does not include contingent rental.

As at 31 December 2010, the Group and the Company have total future minimum lease payments payable under non-cancellable operating leases in respect of rented premises as follows:

	2010 **HK$**	2009 HK$
Within one year	**1,314,560**	1,971,840
After one year but within five years	**–**	1,314,560
	1,314,560	3,286,400

30.2 Capital commitments

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

31. LITIGATION MATTERS

As set out in the 2009 Annual Financial Statements, one of the Group's associate, CPDH, had certain legal claims arising from the transactions relating to its former subsidiaries, World Lexus Pacific Limited and one of its subsidiaries, Beijing Pacific Palace Real Estate Development Co., Limited.

The arbitration proceedings ended on November 2009. The tribunal made the final award of the arbitration proceedings on May 2010 (the "**Award**"). CPDH has settled all the legal claims in accordance with the judgements in the Award. An additional amount of approximately HK$5,600,000 had been paid and recognised in profit or loss of CPDH for the year ended 31 December 2010.

The directors, with reference to the information provided by the directors and lawyers of CPDH, are of the opinion that no further provision or further impairment loss is required to be made in the consolidated financial statements of CPDH which have already been accounted for under equity accounting in the consolidated financial statements of the Group. The directors are of the opinion that there will be no further contingent liabilities in respect of the above arbitration proceedings.

32. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK$297,610,653 (2009: HK$176,414,271) and 982,215,000 ordinary shares in issue as at 31 December 2010 (2009: 682,094,000 ordinary shares).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including interest risk, other price risk and foreign currency risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close cooperation with the board of directors. Overall objectives in managing financial risk focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

33.1 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit risk on cash and cash equivalents is mitigated as cash is deposited in the banks of high credit rating.

None of the Group's financial assets are secured by collaterals.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.2 Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank deposits and the Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not have an interest rate hedge policy. However, management periodically monitors interest rate exposure. The fair value interest rate risk on the bank deposits is insignificant as the time deposits are short term.

At 31 December 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase both the Group's loss for the year and accumulated losses by HK$965,547 (2009: HK$378,206).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence for the whole year. The 50 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual reporting date. The same basis of analysis also performed at 31 December 2009.

33.3 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rate and foreign exchange rate). The Group is exposed to change in market prices in respect of its investments in listed equities classified as financial assets held for trading.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant industry indicators, as well as the Group's liquidity needs. To minimise the exposure to price change, management sets up guidance on disposal of certain investment if the aggregate loss of that investment exceeds certain percentage of the initial cost. The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

For listed equity securities, an average volatility of 10% has been observed in 2010 (2009: 10%). If the quoted price for the Group's investments in listed equity securities at 31 December 2010 increased or decreased by that amount, loss for the year and accumulated losses would have decreased or increased by HK$1,703,051 (2009: HK$1,959,436) in respect of listed equity securities classified as financial assets held for trading.

The assumed volatilities of listed securities represent management's assessment of a reasonably possible change in these security prices over the next twelve month period.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of its cash flow management. The Group's objective is to maintain an appropriate level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Other payables are the only category of financial liabilities of the Group and the balances as disclosed in note 33.6(ii) are expected to be settled within one year.

33.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$. The Group's exposure to foreign currency risk primarily arises from cash and cash equivalents denominated in US$. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure.

As US$ is pegged to HK$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US$ is presented as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates at the reporting dates.

33.6 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 4.9 and 4.15 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2010	2009
	HK$	HK$
Loans and receivables:		
Loan to a jointly controlled entity	**–**	4,996,430
Other receivables	**2,566,061**	382,378
Cash and cash equivalents	**200,621,488**	83,143,139
	203,187,549	88,521,947
Financial assets at fair value through profit or loss:		
Financial assets held for trading	**17,030,506**	19,594,361
Other financial asset-put option	**2,185,745**	–
Put option	**–**	6,000
	19,216,251	19,600,361
Available-for-sale financial asset	**31,808,623**	–
	254,212,423	108,122,308

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.6 Summary of financial assets and liabilities by category (continued)

(ii) Financial liabilities

	2010 HK$	2009 HK$
Financial liabilities at amortised cost:		
Other payables	**14,726,560**	9,838,215

33.7 Fair values

The directors consider that the fair values of each class of the financial assets and financial liabilities approximate to their carry amounts.

33.8 Fair value measurements recognised in the statement of financial position

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available for financial instruments not quoted in an active market, the directors use their judgement in selecting an appropriate valuation technique. Option pricing models are applied to measure the fair values of option derivatives. For the year ended 31 December 2010, the fair value of the put option arising from the acquisition of the equity interest in Capital Aihua, which was embedded in the available-for-sale financial asset, is measured by using binomial option valuation model. Significant inputs to the model were as follows:

Spot price	RMB 28,970,000
Exercise price	RMB 28,970,000
Risk-free rate	2.64%
Expected option life	3 years
Expected volatility	59.06%
Expected dividend yield	0%

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.8 Fair value measurements recognised in the statement of financial position (continued)

The following table provides an analysis of financial assets carried at fair value by level of fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

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

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

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Financial assets				
Financial assets held for trading	**17,030,506**	**–**	**–**	**17,030,506**
Other financial asset-put option	**–**	**–**	**2,185,745**	**2,185,745**
	17,030,506	**–**	**2,185,745**	**19,216,251**

	2009			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets				
Financial assets held for trading	19,594,361	–	–	19,594,361
Put option	–	–	6,000	6,000
	19,594,361	–	6,000	19,600,361

There was no transfer between Levels 1 and 2 of the fair value hierarchy for both years.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.8 Fair value measurements recognised in the statement of financial position (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Put option HK$	Other financial asset – put option HK$	Total HK$
At 1 January 2009	497,400	–	497,400
Total gains or losses			
– in profit or loss (included in operating expenses)	(491,400)	–	(491,400)
At 31 December 2009 and 1 January 2010	**6,000**	**–**	**6,000**
Addition during the year	**–**	**2,185,745**	**2,185,745**
Total gains or losses			
– in profit or loss (included in operating expenses)	**(6,000)**	**–**	**(6,000)**
At 31 December 2010	**–**	**2,185,745**	**2,185,745**

34. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of the equity attributable to equity holders of the Company, comprising issued share capital and reserve.

The directors review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs.

For capital management purpose, the directors regard the total equity presented in the face of consolidated statement of financial position as capital. The amount of total equity as at 31 December 2010 was HK$297,610,653 (2009: HK$176,414,271).

Five Year Group Financial Summary

For the year ended 31 December 2010

The consolidated results and assets and liabilities of the Group for the past five years:

Results

	2010 HK$	2009 HK$	2008 HK$	2007 HK$	2006 HK$
Revenue	**499,657**	169,238	1,681,717	1,055,601	1,298,316
(Loss)/Profit for the year	**(7,426,497)**	(10,689,725)	(33,956,826)	35,414,291	25,860,547
Assets and liabilities					
Non-current assets					
Property, plant and equipment	**85,366**	74,350	49,762	212,197	365,687
Interests in associates	**59,195,669**	65,536,834	70,773,138	148,521,008	110,856,719
Interests in jointly controlled entities	**–**	13,716,271	23,946,348	24,795,500	–
Loans to a jointly controlled entity	**–**	4,996,430	7,470,489	9,522,393	–
Available-for-sale financial assets	**31,808,623**	–	–	–	6,636,300
Other financial assets	**2,185,745**	–	–	–	–
Investment deposit	**–**	–	–	–	29,284,932
	93,275,403	84,323,885	102,239,737	183,051,098	147,143,638
Current assets					
Dividend receivable from an associate	**–**	–	–	21,606,409	–
Financial assets held for trading	**17,030,506**	19,594,361	18,029,500	–	–
Other receivables, prepayments and deposits	**3,347,904**	1,068,601	6,555,166	12,574,687	12,713,975
Cash and cash equivalents	**200,621,488**	83,143,139	72,471,934	32,298,094	33,461,172
	220,999,898	103,806,101	97,056,600	66,479,190	46,175,147
Current liabilities					
Other payables and accruals	**15,827,648**	10,878,715	12,231,227	15,684,553	1,653,362
Net current assets	**205,172,250**	92,927,386	84,825,373	50,794,637	44,521,785
Total assets less current liabilities	**298,447,653**	177,251,271	187,065,110	233,845,735	191,665,423
Non-current liabilities					
Deferred tax liabilities	**837,000**	837,000	315,000	–	–
Net assets	**297,610,653**	176,414,271	186,750,110	233,845,735	191,665,423
Equity					
Share capital	**9,822,154**	6,820,940	6,820,940	6,820,940	6,202,140
Reserves	**287,788,499**	169,593,331	179,929,170	227,024,795	185,463,283
Total equity	**297,610,653**	176,414,271	186,750,110	233,845,735	191,665,423