ANNUAL REPORT *2010*

Oriental Explorer Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0430)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lau Chi Yung *(Chairman)*
Lau Michael Kei Chi
(Vice-Chairman and Managing Director)

Independent Non-executive Directors

Lo Yick Wing
Wong Yim Sum
Lee Siu Man, Ervin
Tsui Ka Wah

COMPANY SECRETARY

Yau Yuk Kau, Benny

PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
Bank Sarasin & Cie AG, Hong Kong Branch
East West Bank

AUDITORS

HLB Hodgson Impey Cheng

SOLICITORS

Cheung, Tong & Rosa, Solicitors
Poon Yeung & Li, Solicitors & Notaries

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

8th Floor Multifield House
54 Wong Chuk Hang Road
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

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

REVIEW OF OPERATION

For the year ended 31 December 2010, the Group recorded a net profit attributable to equity holders of the Company of about HK$56 million (2009: HK$34 million).

PROPERTY INVESTMENT

During the year under review, the number of establishing new companies and initial public offerings and fund-raising activities was on the rise. This drives the demand for more office space. In view of these factors and in order to capture the potential of property appreciation and enhance a stable source of rental income on leasing out the properties in future, the Group had acquired a quality commercial premise at a consideration of HK$44 million. Indeed, the Group's investment properties were fully occupied and generated a rental of approximately HK$0.6 million (2009: HK$0.3 million) for the year ended 31 December 2010.

TRADING AND INVESTMENTS

The global financial market in 2010 was quite volatile. The first half of 2010 was uncertain as a result of the downgrading of European sovereign debts credit rating. With the continuing rescue measures from various governments to support the economy, the financial markets were rebound in the second half of the year and the Hang Seng Index closed at above 23,000, up by over 5% from the beginning of the year. As a result, the Group's investment segment recorded a net fair value gains of HK$37 million (2009: HK$42 million) when marking the investment portfolios to market valuation as at 31 December 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and available-for-sale investments of HK$248 million (2009: HK$124 million) as at 31 December 2010. The Group's cash and cash equivalents as at 31 December 2010 amounted HK$29 million (2009: HK$66 million). As at 31 December 2010, the Group had outstanding interest-bearing bank and other borrowings of approximately HK$35 million (2009: HK$8.6 million) which were secured by certain cash and securities with investment bankers. Taking into account the total liquid assets of HK$290 million and total interest-bearing bank and other borrowings of approximately HK$35 million, the Group was debt-free as at 31 December 2010.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had approximately 2 employees in Hong Kong and China. Remuneration is reviewed annually. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, provident fund and tuition/training subsidies in order to retain competent employees.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Given the recent changes in government in Tunisia and the recent unrest in the Middle East and North Africa and the ensuing speculation over global oil prices, the Group's expects that global markets are likely to remain nervous and 2011 will be another challenging year for all business sectors.

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of 2010 was RMB39,783.3 billion, an increase of 10.3% over that of 2009. Indeed, China overtook Japan to become the second largest economy in the world. Yet, the Group expects a gradual contraction of policies which induced liquidity in short term in order to combat price pressure and assets bubbles. Nevertheless, the Group is of the view that the ultimate objective of all macro-control policies of the China is to reduce disparities in wealth distribution and regional growth. The Group believes that all control measures will ultimately lay down a strong foundation for future growth of China economy over the long term.

In Hong Kong, the real GDP was up at 6.8% in 2010. The economy of Hong Kong is expected to improve since Hong Kong has a sound business fundamentals and well-established supporting facilities. In addition, with the support from the mother country, Hong Kong has also become an offshore clearing centre for the RMB. Since the raising number of establishing new companies and initial public offerings and fund-raising activities drives the demand for more office space, the outlook for office sector is positive.

We strongly believe that we have the necessary skills and expertise to enable us to work towards the goal of maximising our shareholder's wealth through restructuring our business mix and strengthening the competitiveness of our business. We will pay more attention on expansion and opportunities which have a promising outlook.

ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust and have been patient with our efforts on exploring business opportunities. Again, I would like to thank my fellow directors and staff for their loyalty and efforts during the past year. I believe that we will create greater value to our investors in the future.

Lau Chi Yung
Chairman

Hong Kong, 18 March 2011

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LAU Chi Yung, aged 51, is the Chairman of Oriental Explorer Holdings Limited (the "Company"). He has over 20 years of experience in international trading, property investment and development businesses. He joined the Company and its subsidiaries (the "Group") as a Non-executive Director of the Company in November 1995. He is responsible for steering the business direction and corporate development of the Group. He is currently the Chairman of Multifield International Holdings Limited ("Multifield").

Mr. LAU Michael Kei Chi, aged 57, is the Vice-Chairman and Managing Director of the Company, who joined the Group in April 2003. He is responsible for the overall operations of the Group. He is currently the Vice-Chairman and Managing Director of Multifield. He is the elder brother of Mr. Lau Chi Yung.

Independent Non-executive Directors

Mr. LO Yick Wing, aged 58, is a Registered Architect and Authorized Person in Hong Kong. He has attained Class I Registered Architect Qualification（中華人民共和國一級註冊建築師資格）in the People's Republic of China (the "PRC"). He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects and The Association of Architectural Practices Ltd. Mr. Lo is the founder and currently the Managing Director of Lo & Partners Architects & Development Consultants Ltd. which provide comprehensive professional services including architecture, planning, interior, landscaping and estate development consultancy.

Mr. WONG Yim Sum, aged 45, is currently the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. Mr. Wong has extensive experience in the finance and auditing fields and is currently practicing as a Certified Public Accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA).

Mr. LEE Siu Man, Ervin, aged 55, is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects, and the founder and currently the Managing Director of Fotton-ELA Architects Ltd. and Fotton-ELA Consultants Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning and estate surveying in the building and development field. In early 1999, Mr. Lee has also been elected as the Director of the Board of Directors of the Pok Oi Hospital and the President of North Kowloon Lions Club, both for the year 1999/2000.

Mr. TSUI Ka Wah, aged 58, has 28 years of banking experience with United States and local banks, and has held various management positions in corporate, retail and private banking. Until recently, he was the President of Great China Region for a bank of United States, overseeing operations in Taiwan, the PRC and Hong Kong. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong.

Senior Management

Ms. SIU Wai King, Donna, aged 46, and joined the Group in 1992, is the Deputy General Manager of the Group. She is responsible for the business of property investment and property management in Hong Kong. She has over 20 years experience in the business of property investment and property management.

Mr. YAU Yuk Kau, Benny, aged 38, joined the Group in 2006. He is the Deputy General Manager and Financial Controller of the Group. He holds a master's degree in corporate governance. He is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators. He has over 14 years of experience in auditing, taxation and accounting. He is responsible for the Group's overall financial and treasury management.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK'000	*HK'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)
REVENUE	**46,310**	52,092	(80,235)	41,993	20,821
Cost of sales	**(100)**	(614)	(2,102)	(3,454)	(12,593)
Gross profit/(loss)	**46,210**	51,478	(82,337)	38,539	8,228
Other income and gains	**6,888**	1,893	3,870	7,344	1,417
Selling and distribution costs	**(17)**	(143)	(205)	(157)	(253)
Operating and administrative expenses	**(11,891)**	(8,192)	(20,494)	(11,366)	(7,323)
Finance costs	**(183)**	(200)	(1,123)	(528)	(381)
Share of profits and losses of associates	**14,543**	(10,485)	5,422	(4,066)	2,049
PROFIT/(LOSS) BEFORE TAX	**55,550**	34,351	(94,867)	29,766	3,737
Income tax expense	**–**	–	–	–	–
PROFIT/(LOSS) FOR THE YEAR	**55,550**	34,351	(94,867)	29,766	3,737
Attributable to:					
Owners of the Company	**55,550**	34,351	(94,867)	29,766	3,737
Non-controlling interests	**–**	–	–	–	–
	55,550	34,351	(94,867)	29,766	3,737

SUMMARY FINANCIAL INFORMATION *(continued)*

ASSETS AND LIABILITIES

	At at 31 December				
	2010	2009	2008	2007	2006
	HK'000	*HK'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**440,442**	357,962	369,745	442,202	402,659
Total liabilities	**(49,647)**	(29,251)	(83,987)	(61,750)	(60,911)
	390,795	328,711	285,758	380,452	341,748

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year are set out in notes 28 and 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's share premium account, in the amount of approximately HK$418,511,000, may be distributed in the form of fully paid bonus shares. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company, in the amount of approximately HK$88,380,000 as at 31 December 2010, is distributable to shareholders in certain circumstances, as prescribed by Section 54 thereof, which the Company is currently unable to satisfy.

MAJOR CUSTOMERS AND SUPPLIERS

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

DIRECTORS

The directors of the Company (the "Director(s)") during the year and up to the date of this report were:

Executive Directors

Mr. Lau Chi Yung	*(Chairman)*
Mr. Lau Michael Kei Chi	*(Vice-Chairman and Managing Director)*

Independent Non-executive Directors

Mr. Lo Yick Wing	
Mr. Wong Yim Sum	
Mr. Lee Siu Man, Ervin	
Mr. Tsui Ka Wah	*(Appointed on 1 September 2010)*
Mr. Choy Tak Ho	*(Retired on 28 June 2010)*

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Lo Yick Wing and Mr. Tsui Ka Wah will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 5 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 34 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

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

Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Lau Chi Yung	Through a controlled corporation	1,101,826,999#	61.21

Long position in ordinary shares of associated corporation

Name of Director	Name of associated corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	Percentage of associated corporation's issued share capital
Lau Chi Yung	Multifield	Company's intermediate holding company	2,797,055,712#	Through a controlled corporation	66.91

\# The above shares are ultimately controlled by Power Resources Holdings Limited, which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung and his family.

The interests of the directors in the share options of the Company are separately disclosed in note 29 to the financial statements.

Other than certain nominee shares in subsidiaries held by a director in trust for the companies in the Group, no director held an interest in the share capital of the Company's subsidiaries during the year.

Save as disclosed above, as at 31 December 2010, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option schemes disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 December 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Limitless Investment Limited*	Directly beneficially owned	1,101,826,999	61.21
Multifield International Holdings (B.V.I.) Limited*	Through a controlled corporation	1,101,826,999	61.21
Multifield*	Through a controlled corporation	1,101,826,999	61.21
Lucky Speculator Limited*	Through a controlled corporation	1,101,826,999	61.21
Desert Prince Limited*	Through a controlled corporation	1,101,826,999	61.21
Power Resources Holdings Limited*	Through a controlled corporation	1,101,826,999	61.21

* Power Resources Holdings Limited was deemed to have a beneficial interest in 1,101,826,999 ordinary shares of the Company by virtue of its indirect interests in Lucky Speculator Limited, Desert Prince Limited, Multifield, Multifield International Holdings (B.V.I.) Limited and Limitless Investment Limited.

Save as disclosed above, as at 31 December 2010, no person, other than the Directors, whose interests are set out in the section "Directors' interests in shares of the Company and its associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 34 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

A resolution for the re-appointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung
Chairman

Hong Kong
18 March 2011

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board of Directors (the "Board"), sound internal control, transparency and accountability to all shareholders.

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of Group's business.

Currently, the Board comprises two executive Directors and four independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

In the opinion of the Directors, save as disclosed below, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010.

Under code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The biographical details of the Directors are set out on page 5.

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2010, the attendance of individual Director to the Board meeting is summarized below:–

Executive Directors	**Meetings attended/held**
Lau Chi Yung	6/6
Lau Michael Kei Chi	6/6
Independent Non-executive Directors	
Lo Yick Wing	6/6
Wong Yim Sum	5/6
Lee Siu Man, Ervin	6/6
Tsui Ka Wah (Appointed on 1 September 2010)	0/6
Choy Tak Ho (Retired on 28 June 2010)	2/6

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the Directors, the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2010.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The audit committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the audit committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The audit committee should meet at least twice each year and when the need arises.

The audit committee comprises four independent non-executive Directors, namely Lo Yick Wing, Wong Yim Sum, Lee Siu Man, Ervin and Tsui Ka Wah. The chairman of the audit committee, Wong Yim Sum, has extensive experience in the finance and auditing fields.

In the presence of the representatives of the Company's independent external auditors, the Group's draft audited consolidated financial statements for the year ended 31 December 2010 have been reviewed by the audit committee, and with recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee on 16 September 2005 to ensure that there are formal and transparent procedures for setting policies on the remuneration of the Directors. The remuneration committee comprises two executive Directors namely, Lau Chi Yung and Lau Michael Kei Chi and four independent non-executive Directors namely, Lo Yick Wing, Wong Yim Sum, Lee Siu Man, Ervin and Tsui Ka Wah.

The terms of reference of the remuneration committee are consistent with the terms set out in the relevant section of the Code, and no Director is involved in deciding his own remuneration. The remuneration committee should consult the chairman and/or managing director about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2010, the auditors of the Company received approximately HK$200,000 for audit service and HK$Nil for tax and consultancy services.

INVESTOR RELATIONS AND COMMUNICATION

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
ORIENTAL EXPLORER HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Oriental Explorer Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 16 to 79, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 18 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**46,310**	52,092
Cost of sales		**(100)**	(614)
Gross profit		**46,210**	51,478
Other income and gains	5	**6,888**	1,893
Selling and distribution costs		**(17)**	(143)
Operating and administrative expenses		**(11,891)**	(8,192)
Finance costs	7	**(183)**	(200)
Share of profits and losses of associates		**14,543**	(10,485)
PROFIT BEFORE TAX	6	**55,550**	34,351
Income tax expense	10	**–**	–
PROFIT FOR THE YEAR		**55,550**	34,351
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale investments		**1,345**	7,006
Share of other comprehensive income of associates		**5,189**	1,596
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**6,534**	8,602
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**62,084**	42,953
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	11	**55,550**	34,351
Non-controlling interests		**–**	–
		55,550	34,351
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**62,084**	42,953
Non-controlling interests		**–**	–
		62,084	42,953
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	**3.09 cents**	1.91 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**1,518**	2,508	3,670
Prepaid land lease payments	15	**441**	450	459
Investment properties	16	**23,700**	8,200	7,000
Investments in associates	18	**85,282**	65,550	80,854
Available-for-sale investments	19	**39,630**	77,929	75,416
Loan to an investee company	20	**330**	330	330
Total non-current assets		**150,901**	154,967	167,729
CURRENT ASSETS				
Inventories		**–**	–	595
Trade receivables		**–**	–	459
Prepayments, deposits and other receivables	21	**12,454**	9,168	854
Available-for-sale investments	19	**61,751**	–	–
Equity investments at fair value through profit or loss	22	**186,599**	123,503	52,401
Pledged deposits	23	**70**	4,199	51,725
Cash and cash equivalents	23	**28,667**	66,125	95,982
Total current assets		**289,541**	202,995	202,016
TOTAL ASSETS		**440,442**	357,962	369,745
CURRENT LIABILITIES				
Trade payables		**–**	–	89
Other payables and accruals	24	**9,028**	9,145	9,304
Derivative financial instruments	25	**–**	351	21,222
Interest-bearing bank and other borrowings	26	**34,918**	8,611	31,569
Tax payable		**5,338**	5,338	5,338
Total current liabilities		**49,284**	23,445	67,522
NET CURRENT ASSETS		**240,257**	179,550	134,494
TOTAL ASSETS LESS CURRENT LIABILITIES		**391,158**	334,517	302,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Due to a director	27	**363**	5,806	16,465
Total non-current liabilities		**363**	5,806	16,465
Net assets		**390,795**	328,711	285,758
EQUITY				
Equity attributable to owners of the Company				
Issued capital	28	**18,000**	18,000	18,000
Reserves	30	**372,795**	310,711	267,758
Total equity		**390,795**	328,711	285,758

Lau Chi Yung
Chairman

Lau Michael Kei Chi
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the Company						
	Issued capital HK$'000 (Note 28)	Share premium account HK$'000	Capital redemption reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2009	18,000	418,511	546	(5,671)	21,298	(166,926)	285,758
Profit for the year	–	–	–	–	–	34,351	34,351
Other comprehensive income for the year	–	–	–	7,006	1,596	–	8,602
Total comprehensive income for the year	–	–	–	7,006	1,596	34,351	42,953
At 31 December 2009	18,000	418,511*	546*	1,335*	22,894*	(132,575)*	328,711
At 1 January 2010	**18,000**	**418,511**	**546**	**1,335**	**22,894**	**(132,575)**	**328,711**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**55,550**	**55,550**
Other comprehensive income for the year	**–**	**–**	**–**	**1,345**	**5,189**	**–**	**6,534**
Total comprehensive income for the year	**–**	**–**	**–**	**1,345**	**5,189**	**55,550**	**62,084**
At 31 December 2010	**18,000**	**418,511***	**546***	**2,680***	**28,083***	**(77,025)***	**390,795**

* These reserve accounts comprise the consolidated reserves of approximately HK$372,795,000 (2009: HK$310,711,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**55,550**	34,351
Adjustments for:			
Finance costs		**183**	200
Interest income		**(3,881)**	(3,102)
Dividend income from listed investments		**(4,648)**	(3,224)
Dividend income from unlisted investments		**–**	(3,000)
Impairment of other receivables		**30**	–
Impairment of available-for-sale investments		**7,800**	–
Depreciation		**992**	1,069
Recognition of prepaid land lease payments		**9**	9
Share of profits and losses of associates		**(14,543)**	10,485
Fair value gains on investment properties		**(6,750)**	(1,200)
Fair value gains, net:			
Equity investments at fair value through profit or loss		**(36,999)**	(21,588)
Derivative financial instruments		**(351)**	(20,871)
Loss/(gain) on disposal of items of property, plant and equipment		**2**	(492)
		(2,606)	(7,363)
Decrease in inventories		**–**	595
Decrease in trade receivables		**–**	459
Decrease/(increase) in prepayments, deposits and other receivables		**6,104**	(2,377)
Increase in equity investments at fair value through profit or loss		**(26,097)**	(49,514)
Decrease in trade payables		**–**	(89)
Decrease in other payables and accruals		**(117)**	(159)
Cash used in operations		**(22,716)**	(58,448)
Dividend received from listed investments		**4,648**	3,224
Dividend received from unlisted investments		**–**	3,000
Interest received		**3,743**	2,901
Net cash flows used in operating activities		**(14,325)**	(49,323)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4)**	–
Purchases of available-for-sale investments		**(29,907)**	(11,107)
Purchases of investment properties		**(8,750)**	–
Payment of deposits for acquisition of investment properties		**(9,420)**	(5,937)
Repayment of loans to associates		**–**	6,415
Decrease in pledged deposits		**4,129**	47,526
Proceeds from disposal of items of property, plant and equipment		**–**	585
Proceeds from disposal of available-for-sale investments		**–**	15,600
Interest received		**138**	201
Net cash flows (used in)/from investing activities		**(43,814)**	53,283

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Year ended 31 December 2010

	Notes	2010 *HK$'000*	2009 *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings		**31,579**	4,921
Repayment of interest-bearing borrowings		**(5,272)**	(351)
Net change in short-term revolving loans		**–**	(27,528)
Decrease in amount due to a director		**(5,443)**	(10,659)
Interest paid		**(183)**	(200)
Net cash flows from/(used in) financing activities		**20,681**	(33,817)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(37,458)**	(29,857)
Cash and cash equivalents at beginning of year		**66,125**	95,982
CASH AND CASH EQUIVALENTS AT END OF YEAR		**28,667**	66,125
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**1,538**	14,685
Non-pledged deposits with original maturity of less than three months when acquired	23	**27,129**	51,440
		28,667	66,125

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**47,900**	47,900
Available-for-sale investments	19	**670**	670
Total non-current assets		**48,570**	48,570
CURRENT ASSETS			
Due from subsidiaries	17	**122,228**	121,637
Other receivables		**365**	365
Equity investments at fair value through profit or loss	22	**368**	729
Cash and cash equivalents	23	**7**	6
Total current assets		**122,968**	122,737
TOTAL ASSETS		**171,538**	171,307
CURRENT LIABILITIES			
Other payables and accruals	24	**81**	81
NET CURRENT ASSETS		**122,887**	122,656
TOTAL ASSETS LESS CURRENT LIABILITIES		**171,457**	171,226
EQUITY			
Issued capital	28	**18,000**	18,000
Reserves	30	**153,457**	153,226
Total equity		**171,457**	171,226

Lau Chi Yung
Chairman

Lau Michael Kei Chi
Vice-Chairman

1. CORPORATE INFORMATION

Oriental Explorer Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located at 8th Floor, Multifield House, 54 Wong Chuk Hang Road, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries were involved in the following principal activities:

- property investment; and
- trading of securities and investment holding.

In the opinion of the directors, the holding company of the Company is Limitless Investment Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash–settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in Improvements to HKFRSs 2009 and HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

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

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term* in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 *Leases* included in Improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong and the Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in the Mainland China remained as operating leases.

(c) HK-Int 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The Group applied HK-Int 5 and changed the classification of a term loan that contains a repayment on demand clause. Term loans are loans which are repayable on a specified date or in instalments over a period of time. In previous years, term loans were classified in the consolidated statement of financial position according to the scheduled repayment dates. The adoption of HK-Int 5 requires term loans which include an overriding repayment on demand clause in the loan agreement that give the lender an unconditional right to call the loan at any time to be classified as current liability. In addition, the contractual maturity analysis of these term loans is revised.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(c) HK-Int 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (continued)*

Summary of the effect of the adoption of HK-Int 5

The effect of the adoption of HK-Int 5 above on the consolidated statement of financial position of the Group at 1 January 2009 and 31 December 2009 is as follows:

	At 1 January 2009 (originally stated)	Effect of HK-Int 5	At 1 January 2009 (restated)	At 31 December 2009 (originally stated)	Effect of HK-Int 5	At 31 December 2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities						
Interest-bearing bank and other borrowings	27,879	3,690	31,569	5,272	3,339	8,611
Non–current liabilities						
Interest-bearing bank and other borrowings	3,690	(3,690)	–	3,339	(3,339)	–
Total effect on liabilities	31,569	–	31,569	8,611	–	8,611

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Financial Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 12 Amendments	Amendments to HKAS 12 *Deferred Tax: Recovery of underlying assets*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

Further information about those changes that are unlikely to have a significant impact on the Group's results of operations and financial position is as follows:

HKAS 12 Amendments *'Deferred Tax: Recovery of underlying assets'*. The amendment provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment is effective for annual periods on or after 1 January 2012. This amendment is not expected to have a material impact on the Group's financial statements. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact, if any, they may have on the Group's consolidated financial statements.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes resulting from the Amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity who's financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

Related parties

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

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

(b) the party is an associate;

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

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	Over the lease terms
Plant and machinery	10% – 20%
Furniture, fixtures, office and computer equipment	20% – 33$^1/_3$%
Motor vehicles	20% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, other receivables, loans receivable, and quoted and unquoted financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in revenue, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of comprehensive income and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as "Revenue" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;

- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include other payables, amount due to a director, derivative financial instruments and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contract to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

None of the derivative financial instruments held by the Group qualifies for hedge accounting.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) dividend income, when the shareholders' right to receive payment has been established;

(d) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms; and

(e) income from the sale of equity and debt securities, on the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grant after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, of the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits scheme

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

The employees of the Group's subsidiaries which operates in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

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

Fair values of financial instruments

Financial instruments such as equity, debt and derivative instruments are carried at the statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of comprehensive income. For the year ended 31 December 2010, impairment losses of HK$7,800,000 (2009: Nil) have been recognised for available-for-sale assets. The carrying amount of available-for-sale assets was approximately HK$101,381,000 (2009: HK$77,929,000). Further details are included in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

As described in note 16, the investment properties were revalued at the end of the reporting period on market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2009: four) reportable operating segments as follows:

(a) the property investment segment mainly comprises rental income from investment properties;

(b) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding;

(c) the electronic products segment is a supplier of electronic components mainly for use in the manufacture of electronic products; and

(d) the corporate and others segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax from operations except that interest income from loans and receivables, finance costs and other gains are excluded from such measurement.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to a director, and tax payable as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2009: Nil).

4. OPERATING SEGMENT INFORMATION *(continued)*

Years ended 31 December 2010 and 2009

	Property investment		Trading and investments		Electronic products		Corporate and others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**569**	294	**45,741**	51,584	**–**	214	**–**	–	**46,310**	52,092
Segment results	**81**	(43)	**41,241**	43,060	**–**	(4,489)	**(7,020)**	4,615	**34,302**	43,143
Interest income from loans and receivables									**138**	201
Unallocated gains									**6,750**	1,692
Finance costs									**(183)**	(200)
Share of profits and losses of associates	**14,543**	(10,485)							**14,543**	(10,485)
Profit before tax									**55,550**	34,351

	Property investment		Trading and investments		Electronic products		Corporate and others		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**26,592**	14,507	**249,744**	219,585	**–**	476	**39,534**	18,554	**315,870**	253,122
Unallocated assets									**39,290**	39,290
Investments in associates	**85,282**	65,550	**–**	–	**–**	–	**–**	–	**85,282**	65,550
Total assets									**440,442**	357,962
Segment liabilities	**242**	263	**83**	433	**–**	3,179	**8,703**	5,621	**9,028**	9,496
Unallocated liabilities									**40,619**	19,755
Total liabilities									**49,647**	29,251
Other segment information:										
Depreciation	**–**	–	**–**	–	**–**	26	**992**	1,043	**992**	1,069
Change in fair value of investment properties	**6,750**	1,200	**–**	–	**–**	–	**–**	–	**6,750**	1,200
Capital expenditure*	**8,754**	–	**–**	–	**–**	–	**–**	–	**8,754**	–
Impairment loss recognised in the statement of comprehensive income	**–**	–	**7,800**	–	**–**	–	**30**	–	**7,830**	–

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from sales to external customers are all generated from Hong Kong. No customer accounted for 10% or more of the total revenue for the years ended 31 December 2010 and 2009.

(b)

	Hong Kong		Mainland China		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets	**110,983**	115,003	**628**	674	**111,611**	115,677

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**–**	214
Rental income from property letting	**569**	294
Dividend income from listed investments	**4,648**	3,224
Dividend income from unlisted investments	**–**	3,000
Fair value gains, net:		
Equity investments at fair value through profit or loss	**36,999**	21,588
Derivative financial instruments	**351**	20,871
Interest income from available-for-sale investments	**3,743**	2,901
	46,310	52,092
Other income and gains		
Interest income from loans and receivables	**138**	201
Fair value gain on investment properties	**6,750**	1,200
Gain on disposal of items of property, plant and equipment	**–**	492
	6,888	1,893

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**–**	614
Cost of services provided	**100**	–
Depreciation	**992**	1,069
Minimum lease payments under operating leases for land and buildings	**7**	429
Auditors' remuneration	**200**	250
Loss on disposal of items of property, plant and equipment	**2**	–
Foreign exchange differences, net	**(389)**	9
Impairment of other receivables*	**30**	–
Impairment of available-for-sale investments*	**7,800**	–
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**192**	37
Employee benefits expense (including directors' remuneration *(Note 8)*):		
Salaries, wages and other benefits	**2,120**	3,884
Pension scheme contributions (defined contribution scheme) *(Note)*	**16**	46
	2,136	3,930

* *Included in "Operating and administrative expenses" on the face of the consolidated statement of comprehensive income.*

Note:

At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2009: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**183**	200

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fees	**230**	255
Other emoluments:		
Salaries, allowances and benefits in kind	**1,656**	1,656
Pension scheme contributions	**12**	12
	1,668	1,668
	1,898	1,923

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2010	2009
	HK$'000	*HK$'000*
Mr. Lo Yick Wing	**60**	60
Mr. Wong Yim Sum	**60**	60
Mr. Lee Siu Man, Ervin	**60**	75
Mr. Tsui Ka Wah (Appointed on 1 September 2010)	**20**	–
Mr. Choy Tak Ho (Retired on 28 June 2010)	**30**	60
	230	255

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Fees		Salaries, allowances and benefits in kind		Pension scheme contributions		Total remuneration	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Lau Chi Yung	**–**	–	**1,656**	1,656	**12**	12	**1,668**	1,668
Mr. Lau Michael Kei Chi	**–**	–	**–**	–	**–**	–	**–**	–
	–	–	**1,656**	1,656	**12**	12	**1,668**	1,668

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: four) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**234**	918
Pension scheme contributions	**4**	21
	238	939

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

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

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the Mainland China have been calculated at the rate of tax prevailing in the Mainland China, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit before tax at the applicable rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Profit before tax	**55,550**	34,351
Tax at the applicable tax rate	**(4,622)**	36,172
Profits and losses attributable to associates	**11,380**	(28,968)
Income not subject to tax	**(8,146)**	(8,558)
Expenses not deductible for tax	**1,531**	1,287
Tax losses utilised from prior years	**(190)**	–
Tax losses not recognised	**47**	67
Tax charge at the Group's effective rate	**–**	–

The share of tax credit attributable to associates amounting to approximately HK$11,380,000 (2009: tax expenses HK$28,968,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

The Group has tax losses arising in Hong Kong of approximately HK$70,566,000 (2009: HK$71,424,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

No deferred tax liabilities are recognised in the financial statements as the Group did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts at 31 December 2010 (2009: Nil).

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a profit of approximately HK$231,000 (2009: HK$358,000) which has been dealt with in the financial statements of the Company (Note 30(b)).

12. DIVIDENDS

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$55,550,000 (2009: HK$34,351,000), and the weighted average number of ordinary shares of 1,800,000,000 (2009: 1,800,000,000) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2010						
At 31 December 2009 and at 1 January 2010						
Cost	746	2,926	752	4,906	6,190	15,520
Accumulated depreciation	(522)	(2,926)	(752)	(4,902)	(3,910)	(13,012)
Net carrying amount	224	–	–	4	2,280	2,508
At 1 January 2010, net of accumulated depreciation	224	–	–	4	2,280	2,508
Additions	–	–	–	4	–	4
Depreciation provided during the year	(37)	–	–	(2)	(953)	(992)
Disposals	–	–	–	(2)	–	(2)
At 31 December 2010, net of accumulated depreciation	187	–	–	4	1,327	1,518
At 31 December 2010						
Cost	746	2,926	752	4,906	6,190	15,520
Accumulated depreciation	(559)	(2,926)	(752)	(4,902)	(4,863)	(14,002)
Net carrying amount	187	–	–	4	1,327	1,518

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Buildings	Leasehold improve-ments	Plant and machinery	Furniture, fixtures, office and computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2009						
At 1 January 2009						
Cost	746	2,926	38,178	5,330	6,190	53,370
Accumulated depreciation	(484)	(2,926)	(38,077)	(5,307)	(2,906)	(49,700)
Net carrying amount	262	–	101	23	3,284	3,670
At 1 January 2009, net of accumulated depreciation	262	–	101	23	3,284	3,670
Depreciation provided during the year	(38)	–	(20)	(7)	(1,004)	(1,069)
Disposals	–	–	(81)	(12)	–	(93)
At 31 December 2009, net of accumulated depreciation	224	–	–	4	2,280	2,508
At 31 December 2009						
Cost	746	2,926	752	4,906	6,190	15,520
Accumulated depreciation	(522)	(2,926)	(752)	(4,902)	(3,910)	(13,012)
Net carrying amount	224	–	–	4	2,280	2,508

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 January	**450**	459
Recognised during the year	**(9)**	(9)
Carrying amount at 31 December	**441**	450

The leasehold land is situated in the Mainland China and is held under a long term lease.

16. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 January	**8,200**	7,000
Additions	**8,750**	–
Fair value gains	**6,750**	1,200
Carrying amount at 31 December	**23,700**	8,200

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The Group's investment properties were revalued on 31 December 2010 by B.I. Appraisals Limited, independent firm of professional qualified valuers on an open market value, existing use basis. The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 32 to the financial statements.

At 31 December 2010, the Group's investment properties with a carrying value of approximately HK$13,800,000 (2009: HK$8,200,000) were pledged to secure general banking facilities granted to the Group (Note 26).

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**136,380**	136,380
Impairment	**(88,480)**	(88,480)
	47,900	47,900

Impairment losses were recognised for investments in the unlisted shares of subsidiaries with a carrying amount of approximately HK$136,380,000 (before deducting the impairment losses) (2009: HK$136,380,000), because certain subsidiaries of the Company have insufficient assets to be realised for the Company to recover its interests therein. There was no change in the impairment account during the current and prior years.

The amounts due from subsidiaries included in current assets on the Company's statement of financial position of approximately HK$122,228,000 (2009: HK$121,637,000) are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Inter China Limited	British Virgin Islands	US$100	–	57	Investment holding
Keen2learn.com International Limited	Hong Kong	HK$2	–	100	Property investment
Linkful Electronics Limited	British Virgin Islands	US$1	100	–	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Non-voting deferred HK$20,000,000	–	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Linkful Management Services Limited	Hong Kong	HK$2	–	100	Provision of management services
Linkful (PRC) Investments Limited	Hong Kong	HK$2	–	100	Investment holding
Linkful Properties Company Limited	Hong Kong/ Mainland China	HK$2	–	100	Investment and property holding
Linkful Secretarial Services Limited	Hong Kong	HK$10,000	–	100	Property investment
Linkful Strategic Investment Limited	British Virgin Islands	US$1	100	–	Investment holding
Oriental Explorer Limited	Hong Kong	HK$1	–	100	Investment holding
Power Earning Limited	Hong Kong	HK$1	–	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US$1	–	100	Investment holding

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

18. INVESTMENTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**85,282**	65,550

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Call Rich Investments Limited	12,520 ordinary shares of US$1 each	British Virgin Islands	25.04	Investment holding

The Group's shareholdings in the associates' equity shares are held through wholly-owned subsidiaries of the Company.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2010	2009
	HK$'000	*HK$'000*
Assets	**772,699**	729,911
Liabilities	**280,032**	359,075
Revenue	**29,189**	31,372
Profit/(loss)	**58,077**	(41,912)

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets				
Listed debt investments, at fair value	**–**	38,299	**–**	–
Club debentures, at fair value	**670**	670	**670**	670
Unlisted equity investments, at cost	**56,767**	48,967	**–**	–
Provision for impairment	**(17,807)**	(10,007)	**–**	–
	39,630	77,929	**670**	670
Current assets				
Listed debt investments, at fair value	**61,751**	–	**–**	–
	101,381	77,929	**670**	670

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$1,345,000 (2009: HK$7,006,000).

At 31 December 2010, the Group's listed debt investments with a carrying value of approximately HK$61,751,000 (2009: HK$38,299,000) were pledged to secure for the Group's interest-bearing borrowings, as further details of which are disclosed in note 26 to the financial statements.

The Group's unlisted equity investments with a carrying value of approximately HK$38,960,000 (2009: HK$38,960,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Particulars of the unlisted equity investments were as follows:

Name	Place of incorporation	Nominal value of issued ordinary share capital	Percentage of equity interest attributable to the Group	Principal activities
Rich Returns Limited	British Virgin Islands	US$100	18	Investment holding
Head Wonder International Limited	British Virgin Islands	US$10,000	5	Investment holding

20. LOAN TO AN INVESTEE COMPANY

The loan to an investee company is unsecured, interest-free and has no fixed terms of repayment.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the Group's prepayments, deposits and other receivables at 31 December 2010 are deposits paid for acquisition of investment properties of approximately HK$9,420,000 (2009: HK$5,937,000).

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value				
Hong Kong	**154,159**	109,439	**368**	729
Elsewhere	**32,440**	14,064	**–**	–
	186,599	123,503	**368**	729

The above equity investments at 31 December 2010 and 2009 were classified as held for trading. At 31 December 2010, the Group's listed equity investments with a carrying value of approximately HK$177,548,000 (2009: HK$98,711,000) were pledged to secure the Group's interest-bearing borrowings, as further detailed in note 26 to the financial statements.

The fair value of equity investments at fair value through profit or loss is determined based on the quoted market prices and fair value provided by financial institution.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**1,538**	14,685	**7**	6
Time deposits	**27,199**	55,639	**–**	–
	28,737	70,324	**7**	6
Less: Pledged deposits	**(70)**	(4,199)	**–**	–
Cash and cash equivalents	**28,667**	66,125	**7**	6

The deposits of approximately HK$70,000 (2009: HK$4,199,000) were pledged as security for banking facilities granted.

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to approximately HK$27,201,000 (2009: HK$12,000). The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**5,211**	5,409	**79**	79
Other payables	**3,817**	3,736	**2**	2
	9,028	9,145	**81**	81

Other payables are non-interest-bearing and repayable on demand.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Over-the-counter contingent forward transactions	**–**	351

During the year ended 31 December 2009, the Group entered into several forward agreements to sale/purchase certain listed equity investments at a fixed price over a 12-month period from the date of the agreements. According to the agreements, the sale/purchase commitments of the Group will be terminated when the market price of the equity investments drops/rises to a pre-determined price level. These forward agreements were fully settled during the year ended 31 December 2010.

The above derivative financial instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the quoted prices provided by the securities' brokers for equivalent instruments at the end of the reporting period.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group								
	31 December 2010			31 December 2009			1 January 2009		
	Contractual interest rate (%)	**Maturity**	***HK$'000***	Contractual interest rate (%)	Maturity	*HK$'000* (Restated)	Contractual interest rate (%)	Maturity	*HK$'000* (Restated)
Current liabilities									
Secured bank loans denominated in Hong Kong dollars	**HIBOR plus 0.6**	**2011 – 2020**	**3,338**	HIBOR plus 0.6	2010 – 2020	3,690	HIBOR plus 0.6	2009 – 2020	4,041
Secured short term loans denominated in Hong Kong dollars	**0.75**	**2011**	**6,000**	–	–	–	–	–	–
Secured short term loans denominated in Euro	**–**	**–**	**–**	1.46	2010	4,921	–	–	–
Secured short term loans denominated in United States dollars	**0.95 to 1.25**	**2011**	**25,580**	–	–	–	1.45 to 2.47	2009	27,528
			34,918			8,611			31,569

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on demand clause are as follows:

	Group		
	31 December 2010	31 December 2009	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Analysed into:			
Bank loans repayable:			
Within one year	**351**	351	351
In the second year	**351**	351	351
In the third to fifth years, inclusive	**1,054**	1,054	1,054
Beyond five years	**1,583**	1,934	2,285
	3,339	3,690	4,041
Other borrowings repayable within one year	**31,579**	4,921	27,528
	34,918	8,611	31,569

The Group's bank loans are secured by:

(i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$13,800,000 (2009: HK$8,200,000); and

(ii) corporate guarantees issued by the Company.

At 31 December 2010, the Group's other loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying amount of approximately HK$239,369,000 (2009: HK$141,209,000).

27. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year.

28. SHARE CAPITAL

Shares

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2009: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
1,800,000,000 (2009: 1,800,000,000) ordinary shares of HK$0.01 each	**18,000**	18,000

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

The 2003 Scheme

On 27 June 2003, a new share option scheme (the "2003 Scheme"), in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company for a period of 10 years, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2003 Scheme include any employee (including any executive and non-executive director), adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group.

The maximum number of unexercised share options currently permitted to be granted under the 2003 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 2003 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

29. SHARE OPTION SCHEMES *(continued)*

The 2003 Scheme *(continued)*

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration by the grantee. The exercise period of the share options granted is determinable by the directors, commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the option.

The subscription price is determined by the directors, but in any event may not be less than the higher of (i) the closing price of the shares on the date of grant, which must be a trading date; (ii) the average closing price of the shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of share.

No share options have been granted, exercised, lapsed or cancelled since the establishment of the 2003 Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium account *HK$'000*	**Capital redemption reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2009	418,511	546	88,380	(354,569)	152,868
Total comprehensive income for the year	–	–	–	358	358
At 31 December 2009 and 1 January 2010	418,511	546	88,380	(354,211)	153,226
Total comprehensive income for the year	–	–	–	231	231
At 31 December 2010	418,511	546	88,380	(353,980)	153,457

30. RESERVES *(continued)*

(b) Company *(continued)*

The Company's contributed surplus represents the difference arising between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the value of the net assets of the subsidiaries acquired at the time of the Group's reorganisation in a prior year. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances prescribed by Section 54 thereof.

31. CORPORATE GUARANTEES

As at 31 December 2010, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries and associates to the extent of approximately HK$112,218,000 (2009: HK$112,218,000), of which approximately HK$111,339,000 (2009: HK$111,690,000) was utilised. In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

32. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (Note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms of one to two years. The terms of these leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Within one year	**799**	327
In the second to fifth years, inclusive	**445**	–
	1,244	327

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments in respect of acquisition of investment properties at the end of the reporting date:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Contracted, but not provided for	**53,313**	2,617

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transaction with related parties during the year:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Sales of finished goods to Alpha Japan Limited *(Note)*	**–**	197

Note:

Alpha Japan Limited is the non-controlling shareholder of a subsidiary of the Group. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group.

(b) Compensation of key management personnel of the Group:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Short term employee benefits	**1,656**	2,258
Post-employment benefits	**12**	24
Total compensation paid to key management personnel	**1,668**	2,282

Further details of directors' emoluments are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Group

2010

Financial assets

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	–	–	101,381	101,381
Loans to an investee company	–	330	–	330
Financial assets included in prepayments, deposits and other receivables	–	11,856	–	11,856
Equity investments at fair value through profit or loss	186,599	–	–	186,599
Pledged deposits	–	70	–	70
Cash and cash equivalents	–	28,667	–	28,667
	186,599	40,923	101,381	328,903

Financial liabilities

	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accruals	8,766	8,766
Interest-bearing bank and other borrowings	34,918	34,918
Due to a director	363	363
	44,047	44,047

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Group

2009

Financial assets

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	–	–	77,929	77,929
Loans to an investee company	–	330	–	330
Financial assets included in prepayments, deposits and other receivables	–	8,898	–	8,898
Equity investments at fair value through profit or loss	123,503	–	–	123,503
Pledged deposits	–	4,199	–	4,199
Cash and cash equivalents	–	66,125	–	66,125
	123,503	79,552	77,929	280,984

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	–	8,883	8,883
Derivative financial instruments	351	–	351
Interest-bearing bank and other borrowings	–	8,611	8,611
Due to a director	–	5,806	5,806
	351	23,300	23,651

36. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale investments	**101,381**	77,929	**101,381**	77,929
Loan to an investee company	**330**	330	**330**	330
Financial assets included in prepayments, deposits and other receivables	**11,856**	8,898	**11,856**	8,898
Equity investments at fair value through profit or loss	**186,599**	123,503	**186,599**	123,503
Pledged deposits	**70**	4,199	**70**	4,199
Cash and cash equivalents	**28,667**	66,125	**28,667**	66,125
	328,903	280,984	**328,903**	280,984
Financial liabilities				
Financial liabilities included in other payables and accruals	**8,766**	8,883	**8,766**	8,883
Derivative financial instruments	**–**	351	**–**	351
Interest-bearing bank and other borrowings	**34,918**	8,611	**34,918**	8,611
Due to a director	**363**	5,806	**363**	5,806
	44,047	23,651	**44,047**	23,651

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale investments	**670**	670	**670**	670
Equity investments at fair value through profit or loss	**368**	729	**368**	729
Cash and cash equivalents	**7**	6	**7**	6
Due from subsidiaries	**122,228**	121,637	**122,228**	121,637
	123,273	123,042	**123,273**	123,042
Financial liabilities				
Other payables and accruals	**81**	81	**81**	81

36. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, pledged deposits, financial assets included in prepayments, deposits and other receivables, loan to an investee company, financial liabilities included in other payables and accruals, deposits received, interest-bearing bank and other borrowings, amount due to a director, and amounts due from subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of listed equity investments are based on quoted market prices.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

36. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

At 31 December 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value:

Group

At 31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments:				
Debt investments	**–**	**61,751**	**–**	**61,751**
Equity investments at fair value through profit or loss	**186,599**	**–**	**–**	**186,599**
	186,599	**61,751**	**–**	**248,350**

At 31 December 2009	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Debt investments	–	38,299	–	38,299
Equity investments at fair value through profit or loss	123,503	–	–	123,503
	123,503	38,299	–	161,802

Company

At 31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments at fair value through profit or loss	**368**	**–**	**–**	**368**

At 31 December 2009	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments at fair value through profit or loss	729	–	–	729

36. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Liabilities measured at fair value:

Group

At 31 December 2009	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial instruments	–	351	–	351

The Group did not have any financial liabilities measured at fair value at 31 December 2010.

The Company did not have any financial liabilities measured at fair value at 31 December 2010 and 31 December 2009.

During the year ended 31 December 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, cash and short term deposits, available-for-sale investments, and equity investments at fair value through profit or loss. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and the sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policy in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

Foreign currency risk

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments, certain cash and cash equivalents and certain other loans in currencies other than the functional currency of Hong Kong dollars.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Japanese Yen and Renminbi exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Group		
	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	***HK$'000***	***HK$'000***
2010			
If Hong Kong dollar weakens against United States dollar	**(5)**	**612**	**2,845**
If Hong Kong dollar strengthens against United States dollar	**5**	**(612)**	**(2,845)**
If Hong Kong dollar weakens against Japanese Yen	**(5)**	**114**	**–**
If Hong Kong dollar strengthens against Japanese Yen	**5**	**(114)**	**–**
If Hong Kong dollar weakens against Renminbi	**(5)**	**1,360**	**–**
If Hong Kong dollar strengthens against Renminbi	**5**	**(1,360)**	**–**
2009			
If Hong Kong dollar weakens against United States dollar	(5)	3,352	1,914
If Hong Kong dollar strengthens against United States dollar	5	(3,352)	(1,914)
If Hong Kong dollar weakens against Japanese Yen	(5)	119	–
If Hong Kong dollar strengthens against Japanese Yen	5	(119)	–

* Excluding retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale investments, equity investments at fair value through profit or loss, loan to an investee company, and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of interest-bearing bank and other borrowings and ensures compliance with relevant covenants.

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

Group

	2010				
	On demand and less than 3 months *HK$'000*	**3 to less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Interest-bearing bank and other borrowings	**34,918**	**–**	**–**	**–**	**34,918**
Other payables and accruals	**8,766**	**–**	**–**	**–**	**8,766**
	43,684	**–**	**–**	**–**	**43,684**

	2009				
	On demand and less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Interest-bearing bank and other borrowings	8,611	–	–	–	8,611
Other payables and accruals	8,883	–	–	–	8,883
	17,494	–	–	–	17,494

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's interest-bearing bank and other borrowings based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

Group

	2010				
	On demand and less than 3 months	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Interest-bearing bank and other borrowings	**31,667**	**263**	**1,405**	**1,583**	**34,918**

	2009				
	On demand and less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	5,009	263	1,405	1,934	8,611

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss at 31 December 2010. The Group's listed investments are mainly listed on The Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Hong Kong – Hang Seng Index	**23,035**	**24,988/ 18,971**	21,872	22,944/ 11,345

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Group		
	Carrying amount of equity investments *HK$'000*	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity*** *HK$'000*
2010			
Investments listed in Hong Kong and overseas			
– Held for trading	**186,599**	**18,660/**	**–**
		(18,660)	**–**
2009			
Investments listed in Hong Kong and overseas			
– Held for trading	123,503	12,350/	–
		(12,350)	–

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank and other borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

Group

	2010	2009
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**34,918**	8,611
Equity attributable to owners of the Company	**390,795**	328,711
Debt-to-equity ratio	**8.94%**	2.62%

38. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

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

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
1	Units B1 and B2 on 2nd Floor, Blue Box Factory Building, No. 25 Hing Wo Street, Aberdeen, Hong Kong	Industrial	100%	9,080	9,080	75 years from 23 March 1970 renewable for a further term of 75 years
2	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, 14 Chi Fu Road, Pok Fu Lam, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
3	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, 12 Chi Fu Road, Pok Fu Lam, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
4	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, 9 Chi Fu Road, Pok Fu Lam, Hong Kong	Residential	100%	518	518	75 years from 19 October 1976 renewable for a further term of 75 years
				10,634	10,634	