



OPES ASIA DEVELOPMENT LIMITED

華保亞洲發展有限公司*

(Continued into Bermuda with limited liability)
(Stock Code : 810)

ANNUAL REPORT
2010



* For identification purposes only

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OPES ASIA
DEVELOPMENT LIMITED
Annual Report 2010



BOARD OF DIRECTORS

Executive Directors:

Shiu Kwok Keung
Chu Wai Lim
Fong Son Wa

Non-executive Director:

Cheung Tung Lan, Tony (*Chairman*)

Independent Non-executive Directors:

Tsang Wai Wa
Chen Man Lung
Choi Shek Chau

AUDIT COMMITTEE

Tsang Wai Wa (*Chairman*)
Chen Man Lung
Choi Shek Chau

REMUNERATION COMMITTEE

Chu Wai Lim (*Chairman*)
Tsang Wai Wa
Chen Man Lung
Choi Shek Chau

COMPANY SECRETARY

Yeung Ming Kong, Kenneth

AUDITORS

FTW & Partners CPA Limited

INVESTMENT MANAGER

Up Way Asia Fund Management Limited

PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

CUSTODIAN

Standard Chartered Bank (Hong Kong) Limited

SOLICITORS

As to Hong Kong Law

D.S. Cheung & Co.

As to Bermuda Law

Appleby Hunter Bailhache

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3604B, 36th Floor
Tower 2, Lippo Centre
89 Queensway
Hong Kong

REGISTRARS IN HONG KONG

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

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

810



On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Opes Asia Development Limited (the "Company") for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational Review for 2010

Last year, great fluctuation in the energy and food markets had been witnessed, making the issue of future stability of the price and supply of energy and food a rising concern for the public and the government. This leads to greater growth potential for our investment projects in environmental conservation. Our aim is to invest in projects which can bring in profit and is also sustainable. These investment projects are growing steadily and making profit contribution to the Company.

2. Investment Review

Our investment focus is mainly on projects in the Greater China region to grasp favorable opportunities to create long term revenue. Last year, the Company upheld its cautious investment philosophy to achieve steady growth in its investment projects. The profit for 2010 amounted to approximately HK\$12.50 million (2009: approximately HK\$1.56 million), mainly attributable to the gain from fair value changes in financial assets at fair value through profit and loss amounting to approximately HK\$11.44 million.

Benefited from the economic growth in China and the domestic demand stimulus measures adopted by the central government, the finance leasing industry and green food market in the PRC had been rapidly expanding. The unlisted investment projects in the emerging leasing market and organic agriculture of the Company in the Mainland China contributed net investment revenue (guaranteed profit) of HK\$5,280,000 to the Company.

3. Human Resources

As at 31 December 2010, the Company has 4 Executive Directors and 3 Independent Non-executive Directors and 2 professional employees.

Once again, we place high value on our staffs as they are our most valuable assets to grow with the Company. We encourage our staffs to be the best in their roles by providing training in diversified fields and address both personal development and work skills. We also provide workshops for staffs at different levels to build team spirit and morale. Our staffs are rewarded based on company performance as well as their performance and contribution to the Company.

4. Capital Adequacy and Financing

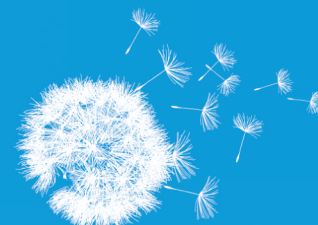
As at 31 December 2010, the Company had cash and bank balances of approximately HK\$22.18 million. Invested assets increased by approximately HK\$15.32 million to approximately HK\$69.21 million, which indicated a 28% increase as compared to the previous year.

As at 31 December 2010, the Company's net assets were approximately HK\$97.07 million, an increase of approximately 15% as compared to 2009.

There were no capital commitments as at 31 December 2010, which would require a substantial use of the Company's present cash resources or external funding.

During the year under review, the Company's assets, liabilities and transactions were mainly denominated in Hong Kong Dollars and Australian Dollars. Because of its short-term nature, the Company had not actively hedged risks arising from the Australian Dollars.

The Company's gearing ratio as at 31 December 2010 was nil (2009: nil) as there was no long term borrowing at the end of the reporting period.



MANAGEMENT DISCUSSION AND ANALYSIS — continued

5. Charges on the Company's assets and contingent liabilities

As at 31 December 2010, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

6. Litigation

The Company has no pending litigation and proceedings.

7. Prospects

The car-leasing industry in the PRC continues to show promise as many corporate are now turning to leasing cars rather than buying them. Add to this the fact that cost for buying a car increased, more and more Chinese consumers, most of whom can't afford to buy a car at present, so they are becoming potential car renters. The emergence of the young driver segment with limited purchasing power is also a new source of revenue generation for automobile rental companies. Whilst the vehicle leasing industry in the PRC is still in the primary stage of development, the Company believe that the leasing business in our investment portfolio would continue to develop and grow.

The increasing global awareness for health and environmental issues is driving the market share of organic food in the food industry. In particular, the requirement for food safety of middle class in the PRC has significantly increased in recent years. The organic agriculture project in our investment portfolio transforms the agriculture and husbandry industry with the application of biotechnology to facilitate practice of organic farming. It removes the use of chemical fertilizers, hormone and antibiotics in farming and husbandry and effectively raising the quality and added-value of the products. Our project diversified its organic agriculture production to include grains, vegetable and fruit, pork and chicken etc. Though the sales outlets of these products are currently concentrated in Guangdong province, the project is expected to develop in a faster pace given the great room for growth in this market.

The Company continuously looks for investment opportunities, especially in the electric-powered cars industry. With the ongoing support to the industry from governments around the world, infrastructures for electric-powered cars are being built and network for charging points is expanding. These are in effect laying down foundations for the electric-powered cars industry and creating business opportunities in the technology development of battery performance, battery management and recharging equipment for electric-powered cars. We intend to capitalize on the opportunities with strategic partners.

On behalf of the Board

Shiu Kwok Keung

Executive Director

Hong Kong, 28 March 2011



Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Shiu Kwok Keung, aged 43, appointed as Chief Executive Officer of the Company with effect from 1 July 2009. Mr. Shiu has been re-designated as an Executive Director of the Company and has ceased to be the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company with effect from 22 January 2009. Mr. Shiu was appointed on 1 March 2006 as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Shiu is also an Independent Non-executive Director of China Bio Cassava Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Shiu was a member of the senior management of China Solar Energy Holdings Limited, a company whose shares are listed on the Stock Exchange, during 2006. Mr. Shiu has extensive experience in finance, accounting and management. Mr. Shiu holds a Master of Science degree in finance from the National University of Ireland, Dublin, a Master of Professional Accounting degree from the Southern Cross University in Australia, and a Bachelor of Social Science degree in China Studies (Economics) from the Hong Kong Baptist University. He is a Chartered Financial Analyst Charterholder and a Certified Practising Accountant of CPA Australia.

Mr. Chu Wai Lim, aged 33, joined the Company as an Executive Director in January 2005. Prior to that, Mr. Chu was a Chief Financial Officer and Company Secretary of ViaGOLD Capital Limited, a listed company in Australia, Mr. Chu had also been working in a company whose shares are listed on the Stock Exchange, as an executive assistant responsible for the group's administration, accounting, finance and information technology related management activities for 3 years. Mr. Chu holds a Bachelor of Arts degree in Economics from San Francisco State University.

Ms. Fong Son Wa, aged 31, joined the analytical team of the Company in August 2006 and became an Executive Director in October 2007. Ms. Fong holds a Postgraduate Diploma in Development Finance from The University of Manchester, UK; and a dual honours degree in Business Administration and Finance at University of Keele, UK. Her selected research focused on business development in emerging and developing countries. Her career started at the research tour to Sri Lanka performing research analysis in its financial monetary system. She has also served in The Universal.com Technology Ltd as business analyst. In early 2003, she joined one of the largest state-owned banking institutes, Bank of China Group, toured through various positions, such as research analysis, financial products, etc. She has gained extensive knowledge in the field of business incubation and development in the emerging markets.

NON-EXECUTIVE DIRECTOR

Mr. Cheung Tung Lan, Tony, aged 54, joined the Company as the Chairman of the Board and Non-executive Director of the Company in March 2011. Mr. Cheung held various senior management positions at a number of conglomerates in Hong Kong, with over 30 years of extensive experience in the industries of telecommunications, information technology, trade promotion and consumer products. Mr. Cheung holds a Master of Business Administration from the Chinese University of Hong Kong and a Bachelor degree from the University of Hong Kong, majoring in Economics.



INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Wai Wa, aged 50, has been appointed as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 7 April 2009. Mr. Tsang is also an Independent Non-executive Director of Culturecom Holdings Limited a company whose shares are listed on the Stock Exchange, on 17 November 2009. Mr. Tsang is a holder of a Bachelor degree in Finance and Accounting and a Master degree in Business Administration. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting, company secretary and corporate finance experience.

Mr. Chen Man Lung, aged 45, joined the Company as an Independent Non-executive Director in September 2006. Mr. Chen is the Executive Director of Culturecom Holdings Limited and China Bio Cassava Holdings Limited, both companies shares are listed on the Stock Exchange. He is also a Director of the Hong Kong Comics & Animation Federation Limited and an academic advisor to Academy of Visual Arts as well Humanities Programme of Hong Kong Baptist University. Mr. Chen was the CFO and the Deputy CEO of ViaGOLD Capital Limited, a listed company in Australia. Mr. Chen obtained his Bachelor of Arts degree in Sociology from the Hong Kong Baptist University and Master of Arts degree in Chinese Studies from the Hong Kong University of Science and Technology. Mr. Chen has over 17 years of extensive experience in investment industry.

Mr. Choi Shek Chau, aged 54, joined the Company as an Independent Non-executive Director a member of the Audit Committee and a member of the Remuneration Committee of the Company in July 2008. Mr. Choi is also an Independent Non-executive Director of China Solar Energy Holdings Limited a company whose shares are listed on the Stock Exchange, on 23 December 2008. Mr. Choi is the Founder of Fang Zheng TV Production Company Limited (Liaoning province) ("Fang Zheng TV") (遼寧省方正電視片製作有限公司) and Bo Hai Group Company Limited (Liaoning province) ("Bo Hai Group") (遼寧省渤海集團有限公司). Mr. Choi studied Chinese literature & history from the University of Macau. Mr. Choi has extensive experience in China Trade. In 1990, Mr. Choi established the Fang Zheng TV, and developed successful business via setting up a joint venture with the local TV production house in producing various arts programs. In 1993, his Hong Kong based company and the Liaoning province established the Bo Hai Group to perform the real estate investment and development projects. Mr. Choi have earned over 15 years of solid business experience from such investment in real estate in China.



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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong and Australia.

An analysis of the Company's performance for the year by operating segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2010 and the state of affairs at that date are set out in the financial statements on pages 18 to 20.

The Directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 21.

DISTRIBUTABLE RESERVES

Under the Companies Act of the Bermuda, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Bye-Laws and a statutory solvency test. In accordance with Bye-Law 143 the dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to HK\$95,437,459 as at 31 December 2010.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 65. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not purchased, sold or redeemed any of its own shares during the year.



SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 29 to the financial statements.

As at 31 December 2010, details of the share options granted under the share option scheme of the Company adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002 are as follows:

Grantee	Position	Held at 1 January 2010	Granted during the year	Expired during the year	Exercised during the year	Held at 31 December 2010	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
Directors										
Chu Wai Lim	Executive director	—	—	—	—	—	0.175	30 January 2008	30 January 2008	29 January 2018
		—	—	—	—	—	0.170	10 June 2009	10 June 2009	9 June 2019
Fong Son Wa	Executive director	6,000,000	—	—	—	6,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		1,000,000	—	—	—	1,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Choi Shek Chau	Independent and Non-Executive director	1,000,000	—	—	—	1,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Wai Chung Fai	Executive director (Chairman)	7,000,000	—	—	—	7,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		3,000,000	—	—	—	3,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Options granted in excess of the individual limit (Director and Substantial holder)										
Shiu Kwok Keung	Executive director (CEO)	20,000,000	—	—	—	20,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Look Andrew	Substantial Shareholder under SFO	45,000,000	—	—	—	45,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Former Director										
Lau Shun Chi, Benjamin	Former Executive director and CEO	8,000,000	—	—	—	8,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		2,000,000	—	—	—	2,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Employees										
In aggregate	Employee	1,000,000	—	—	—	1,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		1,000,000	—	—	—	1,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Others										
In aggregate	Consultants	64,900,000	—	—	—	64,900,000	0.175	30 January 2008	30 January 2008	29 January 2018
		53,460,000	—	—	—	53,460,000	0.170	10 June 2009	10 June 2009	9 June 2019
		<u>213,360,000</u>	—	—	—	<u>213,360,000</u>				

Note: Dr. Wai Chung Fai resigned as the Chairman and Executive Director of the Company effective on 11 March 2011.



DIRECTORS

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

Executive Directors:

Mr. Shiu Kwok Keung

Mr. Chu Wai Lim

Ms. Fong Son Wa

Dr. Wai Chung Fai (resigned on 11 March 2011)

Non-executive Directors:

Mr. Cheung Tung Lan, Tony (appointed on 18 March 2011)

Independent Non-executive Directors:

Mr. Tsang Wai Wa

Mr. Chen Man Lung

Mr. Choi Shek Chau

Subsequent to the reporting period, Dr. Wai Chung Fai resigned as the Chairman and Executive Director on 11 March 2011. On 18 March 2011, Mr. Cheung Tung Lan, Tony was appointed as the Chairman of the Board and Non-executive Director to fill up the casual vacancy.

In accordance with the Company's Bye-laws, Mr. Cheung Tung Lan, Tony, Mr. Chu Wai Lim, Mr. Chen Man Lung and Mr. Choi Shek Chau will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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 AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

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

(a) Long Positions in Ordinary Shares of the Company:

Name of Directors	Number of shares held, capacity and nature of interest					Total	Approximate percentage of the Company's issued share Note (i)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust			
Chu Wai Lim	9,000,000	—	—	—	—	9,000,000	0.55%
Fong Son Wa	2,000,000	—	—	—	—	2,000,000	0.12%



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

(b) Long Position in Share Options of the Company:

Name of Directors		Number of options directly beneficially owned	Approximate percentage of the Company's issued share Note (i)
Shiu Kwok Keung	Note (ii)	20,000,000	1.23%
Fong Son Wa		7,000,000	0.43%
Choi Shek Chau		1,000,000	0.06%
Wai Chung Fai	Note (iii)	10,000,000	0.61%
		38,000,000	

Notes:

- (i) As at 31 December 2010, the total number of issued shares of the Company was 1,630,200,000.
- (ii) For the 20,000,000 share options, Shareholders' approval was obtained at the special general meeting which was held on 19 August 2009 and the Listing Committee of the Stock Exchange granted the listing of and permission to deal in such number of Shares which may be issued pursuant to exercise of options to be granted.
- (iii) Subsequent to the reporting period, Dr. Wai Chung Fai resigned as the Chairman and Executive Director of the Company with effective on 11 March 2011.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme 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 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 register of substantial shareholders maintained by the Company under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital or share options.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Look Andrew*	beneficial	170,000,000	10.43%



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

In addition, Mr. Look has a personal interest in 45,000,000 underlying shares of the Company within the meaning of Part XV of the SFO.

* Subsequent to 31 December 2010, Mr. Look Andrew held only 45,000,000 underlying shares of the Company since 11 March 2011; accordingly, he is no longer a substantial shareholder of the Company.

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

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.

EVENTS AFTER THE REPORTING PERIOD

The Company has no significant events after the reporting period to report.

PRE-EMPTIVE RIGHTS

There is no provision 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.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 28 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

Except as detailed in note 28 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITORS

The financial statement have been audited by FTW & Partners CPA Limited who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Shui Kwok Keung

Executive Director

Hong Kong



The Board is committed to maintaining sound corporate governance standard and formulating and implementing procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhancing value for all of its shareholders.

The Board has reviewed the Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has adopted the same as the Company's own code of corporate governance practices. During the financial year ended 31 December 2010, the Company has complied with all of the provisions under the CG Code.

THE BOARD

The Board has overall responsibility for the management of the Company and the implementation of the investment policy of the Company, which includes, inter alia, the adoption of long term corporate strategies, assessment of investment projects, supervision of the management of the Company to ensure that the Company's investments are conducted in accordance with the objectives of the Company, and reviewing financial performance. The Company's investment portfolio is managed by Success Talent Investments Limited as Investment Manager of the Company during the year ended 31 December 2010 in accordance with the terms and conditions of an investment management and administration agreement entered into between the Company and the Investment Manager.

The Board currently has seven Directors of whom four are Executive Directors and three are Independent Non- executive Directors.

The Board held 42 meetings during the year ended 31 December 2010 and the attendance of each Director is set out below:

Number of Director	Name of meetings attended
<i>Executive Directors:</i>	
Dr. Wai Chung Fai (<i>Chairman</i>)*	7
Mr. Shiu Kwok Keung	42
Mr. Chu Wai Lim	40
Ms. Fong Son Wa	39
<i>Independent Non-executive Directors:</i>	
Mr. Tsang Wai Wa	8
Mr. Chen Man Lung	7
Mr. Choi Shek Chau	3

* Subsequent to the reporting period, Dr. Wai Chung Fai resigned as the Chairman and Executive Director of the Company with effective on 11 March 2011.

To the best knowledge of the Board, there is no financial, business or family relationship among members of the Board as at 31 December 2010. All of them are free to exercise their individual judgment.

Each of the Independent Non-executive Directors has given the Company an annual confirmation of his/her independence. The Company considers such Directors to be independent under the guidelines set out in rule 3.13 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Subject to the Bye-Laws of the Company, each Independent Non-executive Director has been appointed for a term of one year. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Bye-laws of the Company.



THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code A.2.1 stipulates the role of Chairman and Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual.

The position of the Chairman and the CEO are distinct and separate. A clean separation is maintained between the responsibilities of the Chairman and the CEO with the former, Dr. Wai Chung Fai, being mainly responsible for the leadership of the Board while the latter, Mr. Shiu Kwok Keung, is responsible for the overall performance of the Company.

Subsequent to the reporting period, Dr. Wai Chung Fai resigned as the Chairman and Executive Director of the Company with effective on 11 March 2011 due to other business engagements which require more of his attention. On 18 March 2011, Mr. Cheung Tung Lan, Tony was appointed as the Chairman of the Board and Non-executive Director to fill up the casual vacancy. Mr. Cheung Tung Lan, Tony will be responsible for the leadership of the Board.

THE BOARD COMMITTEES

Audit Committee

The Company established an Audit Committee on 25 January 2002 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee currently consists three Independent Non-executive Directors: Mr. Tsang Wai Wa, Mr. Chen Man Lung and Mr. Choi Shek Chau. Mr. Tsang Wai Wa was the chairman of the Audit Committee.

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met 3 times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Audit Committee is also responsible for reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board. The attendance of each member during the year ended 31 December 2010 is set out below:

Name of Director	Number of meetings attended
Mr. Tsang Wai Wa	3
Mr. Chen Man Lung	3
Mr. Choi Shek Chau	1



THE BOARD COMMITTEES — continued

Remuneration Committee

The Board established a Remuneration Committee on 30 August 2005 to review and make recommendations to the Board on matters relating to the remuneration of the Directors and the senior management of the Company. The Remuneration Committee currently consists one Executive Director and three Independent Non-executive Directors: Mr. Chu Wai Lim (Executive Director), Mr. Chen Man Lung (Independent Non-executive Director), Mr. Choi Shek Chau (Independent Non-executive Director) and Mr. Tsang Wai Wa (Independent Non-executive Director). Mr. Chu Wai Lim is the chairman of the Remuneration Committee.

The Remuneration Committee has adopted terms of reference which are in line with the CG Code. Two meetings were held during the year ended 31 December 2010 to review the remuneration policy and remuneration packages of the Executive Directors. The attendance of each member is set out below:

Name of Director	Number of meetings attended
Mr. Chu Wai Lim	1
Mr. Tsang Wai Wa	2
Mr. Chen Man Lung	2
Mr. Choi Shek Chau	2

NOMINATION PROCEDURES AND CRITERIA

The Company has yet to appoint a Nomination Committee, the establishment of which is a recommended best practice by the Stock Exchange.

Current Board practice of appointment of new Directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. It is believed that members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

In the year under review, the Board has adopted the aforesaid nomination policy in the nomination and appointment of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors.

On specific enquires made, all Directors have confirmed that, in respect of the year ended 31 December 2010, they have complied with the required standard as set out in the Model Code.



INTERNAL CONTROLS

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, FTW & Partners CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 16 to 17.

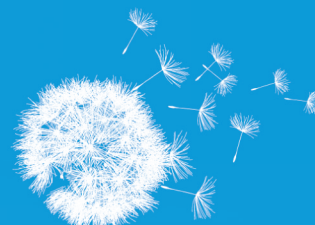
The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, services provided to the Company by its newly appointed external auditors, FTW & Partners CPA Limited, and its predecessor auditors, Lau & Au Yeung C.P.A. Limited and the fees paid/payable were as follows:

	HK\$
Audit services	286,000
Taxation services	<u>17,000</u>
	<u>303,000</u>

The Company continues to improve its corporate governance and believes it is fundamental for the development of the Company as well as for the benefits of the shareholders. The Board is pleased to confirm that the Company has complied with the Code applicable during the period.



FTW & Partners CPA Limited 港駿會計師行有限公司



FTW & Partners CPA Limited

Rooms 1001–1003, 10/F.
Manulife Provident Funds Place
345 Nathan Road
Kowloon

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OPES ASIA DEVELOPMENT LIMITED

(continued into Bermuda with limited liability)

We have audited the financial statements of Opes Asia Development Limited (the "Company") set out on pages 18 to 64, which comprise the statement of financial position as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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.

AUDITOR'S RESPONSIBILITY

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

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



Independent Auditor's Report

AUDITOR'S RESPONSIBILITY — continued

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2010 and of its 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.

FTW & Partners CPA Limited

Certified Public Accountants

Hong Kong, 28 March 2011

HO Cheung Kong

Practising Certificate Number P05214

Income Statement

For the year ended 31 December 2010



	Note	2010 HK\$	2009 HK\$
Turnover	6	16,207,050	6,071,100
Cost of equity securities disposed of		(9,125,233)	(285,000)
Unrealised fair value gains on financial assets at fair value through profit or loss		11,441,436	11,497,623
Gross profit		18,523,253	17,283,723
Other income	7	107,456	41,765
Administrative expenses		(4,985,261)	(11,207,982)
Other operating expenses		(1,141,550)	(4,556,654)
Finance costs	10	(15)	(24)
Profit before income tax	8	12,503,883	1,560,828
Income tax	11	—	—
Profit for the year		12,503,883	1,560,828
Attributable to:			
Equity holders of the Company	12	12,503,883	1,560,828
Earnings per share for profit attributable to the equity holders of the Company during the year	13		
— basic		HK cents 0.77	HK cents 0.10
— diluted		HK cents 0.77	HK cents 0.10

The notes on pages 23 to 64 form an integral part of these financial statements.



Statement of Comprehensive Income

For the year ended 31 December 2010

Note	2010 HK\$	2009 HK\$
Profit for the year	12,503,883	1,560,828
Other comprehensive income/(loss):		
Available-for-sale financial assets: Changes in fair value	16 —	(660,000)
Other comprehensive income/(loss) for the year, (net of tax)	—	(660,000)
Total comprehensive income for the year	12,503,883	900,828
Total comprehensive income attributable to: Equity holders of the Company	12,503,883	900,828

The notes on pages 23 to 64 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2010



	Note	2010 HK\$	2009 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	14	101,697	274,283
Financial assets at fair value through profit or loss	18	17,995,000	22,420,000
Available-for-sale financial assets	16	20,820,000	20,927,000
		38,916,697	43,621,283
Current assets			
Financial assets at fair value through profit or loss	18	30,398,457	10,542,224
Deposit for acquisition of an investment	17	—	—
Other receivables, prepayments and deposits	20	5,925,634	5,748,548
Cash and cash equivalents	21	22,187,585	25,092,571
		58,511,676	41,383,343
Total assets		97,428,373	85,004,626
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	1,630,200	1,630,200
Share premium	22	48,838,530	48,838,530
Contributed surplus		61,305,993	61,305,993
Share-based payment reserves		6,133,463	6,133,463
Available-for-sale fair value reserves		—	—
Accumulated losses		(20,840,527)	(33,344,410)
Total equity		97,067,659	84,563,776
LIABILITIES			
Current liabilities			
Other payables and accrued charges	23	360,714	440,850
Total liabilities		360,714	440,850
Total equity and liabilities		97,428,373	85,004,626
Net current assets		58,150,962	40,942,493
Total assets less current liabilities		97,067,659	84,563,776

Shiu Kwok Keung
Director

Chu Wai Lim
Director

The notes on pages 23 to 64 form an integral part of these financial statements.



Statement of Changes in Equity

For the year ended 31 December 2010

	Note	Attributable to equity holders of the Company						Total HK\$
		Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Share-based payment reserves HK\$	Available- for-sale fair value reserves HK\$	Accumulated loss HK\$	
Balance as at 1.1.2009		1,359,600	20,476,643	61,305,993	701,240	660,000	(34,905,238)	49,598,238
Total comprehensive income for the year		—	—	—	—	(660,000)	1,560,828	900,828
Transactions with owners:								
Share options granted during the year	29	—	—	—	5,932,451	—	—	5,932,451
Proceeds from placing of new shares	22	249,000	24,150,759	—	—	—	—	24,399,759
Exercise of share options	22	21,600	4,211,128	—	(500,228)	—	—	3,732,500
Balance as at 31.12.2009		1,630,200	48,838,530	61,305,993	6,133,463	—	(33,344,410)	84,563,776
Balance as at 1.1.2010		1,630,200	48,838,530	61,305,993	6,133,463	—	(33,344,410)	84,563,776
Total comprehensive income for the year		—	—	—	—	—	12,503,883	12,503,883
Balance as at 31.12.2010		1,630,200	48,838,530	61,305,993	6,133,463	—	(20,840,527)	97,067,659

The notes on pages 23 to 64 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2010



	Note	2010 HK\$	2009 HK\$
Cash flows from operating activities			
Cash used in operations	25	(2,975,441)	(3,746,375)
Interest paid		(15)	(24)
Net cash used in operating activities		(2,975,456)	(3,746,399)
Cash flows from investing activities			
Purchases of property, plant and equipment		—	(374,958)
Dividends received		67,956	900
Interest received		2,514	2,057
Net cash generated from/(used in) investing activities		70,470	(372,001)
Cash flows from financing activities			
Proceeds from placing of new shares	22	—	24,399,759
Proceeds from exercise of share options	22	—	3,732,500
Net cash generated from financing activities		—	28,132,259
Net (decrease)/increase in cash and cash equivalents		(2,904,986)	24,013,859
Cash and cash equivalents at beginning of the year		25,092,571	1,078,712
Cash and cash equivalents at end of the year	21	22,187,585	25,092,571

The notes on pages 23 to 64 form an integral part of these financial statements.



Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

Opes Asia Development Limited (the "Company") is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Australia and the Cayman Islands while it has substantial operations in Hong Kong, in order to achieve medium to long term capital appreciation.

The Company is a limited liability company continued into Bermuda as an exempted company under the laws of Bermuda. The address of the Company's registered office is Canon's court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is Unit 3604B, 36th Floor, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements were approved for issue by the Board of Directors ("the Board") on 28 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value (if any).

These financial statements have been prepared under the accrual basis of accounting and on the basis that the Company is a going concern notwithstanding that the Company has accumulated losses of HK\$20,840,527. The Company recorded a profit for the year of HK\$12,503,883, an increase of HK\$10,943,055 or approximately 701% over 2009. In addition, as at 31 December 2010, the Company had shareholders' funds of HK\$97,067,659. The Board believes that the Company can continue its operations for the foreseeable future.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Notes to the Financial Statements

For the year ended 31 December 2010



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(a) Basis of preparation — continued

- (i) The Company has adopted the amendments to HKFRSs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010. The impact of the application of the amendments to HKFRSs is discussed below.

Improvements to HKFRSs 2009

Amendments to a number of HKFRSs issued in May 2009

The principal effects of adopting these amendments to HKFRSs are as follows:

HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs 2009): It clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

HKAS 7 Statement of Cash Flows (as part of Amendments to a number of HKFRSs 2009): It specifies that only expenditures that result in recognised assets in the consolidated statement of financial position are eligible for classification as investing activities.

- (ii) The new and revised standards, interpretations and amendments to HKFRS (collectively referred as “new and revised HKFRSs”) that are effective for annual periods beginning on or after 1 January 2010 but not relevant to its operations.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
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
HK-Int 4 Amendment	Amendment to HK-Int 4 Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary



Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(a) Basis of preparation — continued

(iii) The Company has not early applied the following new and revised standards, amendments to standards and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ²
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters ³
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets ³
HKFRS 9	Financial instruments ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 24 (Revised)	Related party disclosures ⁶
HKAS 32 (Amendments)	Classification of rights issues ⁷
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments ²

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

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

⁷ Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 “Financial instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Company financial assets.

The above standards, amendments and interpretations to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after 1 February 2010 or later periods. The Company has started considering their potential impact. Based on the preliminary assessment, save as disclosed above, the Company believes that the adoption of these standards, amendments and interpretations to existing standards, if applicable, will not result in substantial changes to the Company’s accounting policies. The Company has not early adopted these standards, amendments and interpretations to existing standards, if applicable, in the financial statements for the year ended 31 December 2010.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(b) Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(i) *Sales of equity securities*

The Company invested in equity securities. Sales of listed and unlisted securities is recognised when instructions for sales given to securities brokers are properly executed thereafter.

(ii) *Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) *Dividend income*

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

(iv) *Investment income*

Investment income is recognised on an accrued basis in accordance with the substance of the relevant agreements.

(c) Employee benefits

(i) *Employee leave entitlement*

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

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

(ii) *Pension obligations*

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are expensed in the income statement 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 Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.



Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(c) Employee benefits — continued

(iii) *Share-based payment transactions*

The Company operates an equity-settled, share-based payment transactions, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Current and deferred income tax

The income tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(e) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale fair value reserves in equity.

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred.



Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(f) Property, plant and equipment — continued

Depreciation is recognized so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method, as follows:

—	Leasehold improvements	Over the lease term
—	Office furniture and fixtures	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income/expenses" in the income statement.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets designated by the entity upon initial recognition.

Financial assets at fair value through profit or loss under current portion are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss under non-current portion are also held for investment purposes by the Company. The Company is an investment company applied to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Due to the specific nature of the Company's business, all financial assets it invested with quoted market price are classified as financial assets at fair value through profit or loss even some of them are not held for short-term trading, in order to avoid accounting mismatch. For financial assets held for investment purpose but not to be sold in the following twelve months, they are classified as non-current assets.

Notes to the Financial Statements

For the year ended 31 December 2010



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(h) Financial assets — continued

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "deposit for acquisition of an investment", "other receivables, prepayments and deposits" and "cash and cash equivalents" in the statement of financial position (Note 2(k) and 2(l)).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost, less provision for impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement as "unrealised fair value gains/(losses) on financial assets at fair value through profit or loss" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of "other income" when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of "other income". Dividends on available-for-sale equity instruments are recognised in the income statement as part of "other income" when the Company's right to receive payments is established.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(i) Offsetting financial instruments

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

(j) Impairment of financial assets

(a) *Assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(j) Impairment of financial assets — continued

(a) *Assets carried at amortised cost* — continued

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) *Assets classified as available for sale*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement.

(k) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(m) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Other payables

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

(o) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(p) Provision

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Related parties

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party:
 - (a) controls, is controlled by, or is under common control with, the Company;
 - (b) has an interest in the Company that gives it significant influence over the Company; or
 - (c) has joint control over the Company;
- (ii) the party is an associate of the Company;
- (iii) the party is a joint venture in which the Company is a venturer;
- (iv) the party is a member of the key management personnel of the Company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
- (vii) any investment manager, investment adviser or custodian (or any connected person thereof) under the Listing Rules Chapter 21.13.

Notes to the Financial Statements

For the year ended 31 December 2010



3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's financial assets and liabilities mainly consisted of financial assets at fair value through profit or loss, available-for-sale financial assets, bank balances and cash, other receivables and deposits and other payables and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated and mitigated these risks are set out below.

The Company does not have written risk management policies and guidelines. However, the Board meets periodically to analyse and formulate measures to manage the Company's exposure to market risk, including principally changes in currency exchange rates, equity price risk, interest rate risk, credit risk and liquidity risk to ensure appropriate measures are implemented on a timely and effective manner. Generally, the Company employs a conservative strategy regarding its risk management. As the Company's exposure to market risk is kept at a minimum level, the Company does not use any derivatives or other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes.

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has investment in a company listed on the Australian Securities Exchange, whose net asset is exposed to foreign currency translation risk with respect to Australian dollars. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2010, approximately 25% (2009: 2%) of the Company's total investment is denominated in Australian dollars. The carrying amount of the Company's foreign currency denominated investments held for trading at the end of the reporting period is AUD2,167,802 (2009: AUD178,665).

The following table demonstrates the Company's sensitivity analyses at the end of the reporting period to a reasonably possible change in the Australian dollars rate, with all other variables held constant, of the Company's profit before income tax.

	Increase/ (decrease) in Australian dollars rate %	Increase/ (decrease) in profit before income tax
2010		
If HK\$ weakens against Australian dollars	10	1,713,994
If HK\$ strengthens against Australian dollars	(10)	(1,713,994)
	Increase/ (decrease) in Australian dollars rate %	Increase/ (decrease) in profit before income tax
2009		
If HK\$ weakens against Australian dollars	5	62,175
If HK\$ strengthens against Australian dollars	(5)	(62,175)

The Company does not have significant exposure to foreign currency risk at the reporting date as most of its investments are denominated in Hong Kong dollars. The foreign currency exchange rate fluctuations in connection with the Company's foreign currency denominated at financial assets at fair value through profit or loss only amount to approximately 18% (2009: 2%) of total asset and are not significant.



3. FINANCIAL RISK MANAGEMENT — continued

(a) Financial risk factors — continued

(ii) Equity Price risk

The Company is exposed to equity price risk through its financial assets at fair value through profit or loss. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

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

If the prices of the respective equity instruments had been increased/decreased by 5%,

- the Company's profit for the year ended 31 December 2010 would have increased/decreased by HK\$2,419,673 (2009: loss would have decreased/increased by HK\$1,648,111) as a result of the changes in fair value on financial assets at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest bearing assets and liabilities other than bank deposits which are carried at variable rate, the Company's fair value interest rate risk relates primarily to bank deposits.

The management considers that the Company's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

(iv) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company. As at 31 December 2010, the carrying amounts of cash at banks, other receivables, prepayments and deposits in the statements of financial position represent the Company's maximum exposure to credit risk in relation to its financial assets.

The Company has significant concentration of credit risk on other receivables as the other receivables are mainly attributable from certain limited counterparties.

In order to minimise credit risk, management has delegated a team to be responsible for the monitoring procedures. In addition, management reviews the recoverable amount of the other receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

Notes to the Financial Statements

For the year ended 31 December 2010



3. FINANCIAL RISK MANAGEMENT — continued

(a) Financial risk factors — continued

(iv) Credit risk — continued

As at 31 December 2009, the Directors reassessed the recoverability of the deposit for acquisition of an investment in 廣州星越航空服務有限公司, and considered that a provision for impairment loss of HK\$3,000,000 should be made (Note 17).

Most of the Company's liquid funds are deposited with banks in Hong Kong rating of 'A' are accepted and only a small portion of them is deposited with a securities dealer in Hong Kong.

The Company has limited credit risk with its banks and financial institution which are leading, reputable and assessed as having low credit risk. The Company has not had any significant loss arising from non-performance by those parties in the past and management does not expect so in the future.

The table below shows the balances of the two major counterparties at the end of the reporting period.

		2010 HK\$	2009 HK\$
Counterparty	Rating		
Standard Chartered Bank (HK) Ltd	A+/Stable/A-1	22,165,884	25,070,485
Bank of East Asia (HK) Ltd	A-/Stable/A-2	20,147	20,447
		22,186,031	25,090,932

The carrying amount of these balances substantially represents the Company's maximum exposure to credit risk as at 31 December 2010 and 2009.

(v) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Company's funding and liquidity management requirements. The Company has no significant liquidity risk. The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. All the financial assets and financial liabilities are non-derivative financial assets and liabilities.



Notes to the Financial Statements

For the year ended 31 December 2010

3. FINANCIAL RISK MANAGEMENT — continued

(a) Financial risk factors — continued

(v) Liquidity risk — continued

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount HK\$	Less than 1 year HK\$
At 31 December 2010		
Other payables and accrued expenses	360,714	360,714
At 31 December 2009		
Other payables and accrued expenses	440,850	440,850

(b) Fair value estimation

Effective from 1 January 2009, the Company adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

As at 31 December 2010, the Company held the following assets and liabilities measured at fair value.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Assets				
Financial assets at fair value				
through profit or loss	48,393,457	—	—	48,393,457
Available-for-sale financial assets	—	—	8,820,000	8,820,000
	48,393,457	—	8,820,000	57,213,457
Liabilities				
	—	—	—	—

Notes to the Financial Statements

For the year ended 31 December 2010



3. FINANCIAL RISK MANAGEMENT — continued

(b) Fair value estimation — continued

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market price or dealer quotes for similar instruments.
- Other technique, such as discounted cash flow analysis based on assumption supported, where possible, by observable market prices or rates.

There were no transfers between Levels 1, 2 and 3 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets — Available-for-sale financial assets at fair value

	Year ended 31/12/2010
Opening balance	8,927,000
Loss recognised in profit or loss	(107,000)
Closing balance	8,820,000

(c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.



Notes to the Financial Statements

For the year ended 31 December 2010

3. FINANCIAL RISK MANAGEMENT — continued

(c) Capital risk management — continued

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total equity. Debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position). Total capital is calculated as “equity”, as shown in the statement of financial position. The gearing ratios as at 31 December 2010 and 2009 were as follows:

	2010 HK\$	2009 HK\$
Total borrowings	—	—
Total equity	97,067,659	84,563,776
Gearing ratio	Nil	Nil

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) *Income taxes*

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

(ii) *Useful lives of property, plant and equipment*

The Company’s management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of store renovation and relocation. Management will increase the depreciation charges where useful lives are less than previously estimated lives.

(iii) *Impairment of other non-financial assets*

The Company tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management’s assumptions and estimates.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — continued

(a) Critical accounting estimates and assumptions — continued

(iv) Fair value of available-for-sale financial assets

As described in note 16 to the financial statements, the independent qualified professional valuers use their judgement selecting appropriate valuation technique for financial instruments not quoted in active markets. Valuation techniques commonly used by market practitioners are applied. The Company's unlisted equity instruments with carrying amount of HK\$8,820,000 (2009: HK\$8,927,000) which were valued by independent qualified professional valuers, are valued using discounted cash flow analyses based on assumptions supported, where possible, by observable market prices or rates.

(v) Fair value of share options

The fair value of share options granted is measured using Black-Scholes Merton Option Pricing Model. It is based on various assumptions on volatility, option life, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at the date of grant.

(b) Critical judgements in applying the Company's accounting policies

Impairment of available-for-sale financial assets

The Company follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. SEGMENT INFORMATION

The Company determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Company has four reportable business segments. The segments are managed separately as each business engaged in investment in listed and unlisted companies in Hong Kong, the PRC and Australia. The following summary describes the operations in each of the Company's reportable business segments.

The business of investment in listed companies mainly refers to the investments in securities listed on the Stock Exchange and securities listed on the Australian Securities Exchange Limited. The major sources of net income of the business are gains on disposals of investments and dividend income, if any.

The business of investment in unlisted companies mainly refers to the investments in the unlisted companies in Hong Kong and the PRC. The major sources of income of the business are dividend income from investments or guaranteed return provided by counter parties of certain unlisted investments.

Segment results represent the gross profit/(loss) for the period in each business segment. This is the measure reported to the Company's chief operating decision maker for the purpose of resources allocation and assessment of segment performance. Segment results exclude other income such as interest income and unallocated corporate expenses such as administrative and other operating expenses.



Notes to the Financial Statements

For the year ended 31 December 2010

5. SEGMENT INFORMATION — continued

Information regarding the Company's reportable segments as provided to the Company's chief operating decision maker for the purposes of allocation and assessment of segment performance for the year is set out below.

	Listed Investments		Unlisted Investments		Total HK\$
	Hong Kong HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	
For the year ended 31 December 2010					
TURNOVER	10,927,050	—	—	5,280,000	16,207,050
Segment results	(2,585,226)	15,896,435	—	5,280,000	18,591,209
Impairment			(107,000)		(107,000)
Interest income					39,500
Interest expenses					(15)
Depreciation					(172,586)
Unallocated income					—
Unallocated expenses					(5,847,225)
Profit for the year					12,503,883
Segment assets	31,253,514	17,139,943	—	26,100,000	74,493,457
Unallocated assets*					22,934,916
Total assets					97,428,373
Segment liabilities	—	—	—	—	—
Unallocated liabilities					360,714
Total liabilities					360,714
Capital expenditures	—	—	—	—	—
Unallocated capital expenditures					—
Total capital expenditures					—

* Unallocated assets mainly included cash and cash equivalents of HK\$22,187,585 and property, plant and equipment of HK\$101,697.

Notes to the Financial Statements

For the year ended 31 December 2010



5. SEGMENT INFORMATION — continued

	Listed Investments		Unlisted Investments		Total HK\$
	Hong Kong HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	
For the year ended 31 December 2009					
TURNOVER	791,100	—	—	5,280,000	6,071,100
Segment results	19,069,525	(7,064,902)	—	5,280,000	17,284,623
Impairment	—	—	(613,000)	—	(613,000)
Interest income					39,865
Interest expenses					(24)
Depreciation					(100,675)
Unallocated income					1,000
Unallocated expenses					(15,050,961)
Profit for the year					1,560,828
Segment assets	31,718,716	1,243,508	107,000	26,100,000	59,169,224
Unallocated assets*					25,835,402
Total assets					85,004,626
Segment liabilities	—	—	—	—	—
Unallocated liabilities					(440,850)
Total liabilities					(440,850)
Capital expenditures	—	—	—	—	—
Unallocated capital expenditures					374,958
Total capital expenditures					374,958

* Unallocated assets mainly included cash and cash equivalents of HK\$25,092,571 and property, plant and equipment of HK\$274,283.



Notes to the Financial Statements

For the year ended 31 December 2010

6. TURNOVER

The Company is engaged in investment in equity securities. Revenues recognised during the year are as follows:

	2010 HK\$	2009 HK\$
Sales of equity securities	10,927,050	791,100
Investment income	5,280,000	5,280,000
	16,207,050	6,071,100

7. OTHER INCOME

	2010 HK\$	2009 HK\$
Dividend income	67,956	900
Interest income	39,500	39,865
Sundry income	—	1,000
	107,456	41,765

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at:

	Note	2010 HK\$	2009 HK\$
After crediting the following item:			
Net realised and unrealised gains on financial assets at fair value through profit or loss		11,441,436	12,003,723
And after charging the following items:			
Auditors' remuneration		286,000	281,008
Depreciation	14	172,586	100,675
Operating lease payments		839,376	951,962
Impairment loss on available-for-sale financial assets	16	107,000	613,000
Impairment loss on a deposit	17	—	3,000,000
Impairment loss on other receivables	20	36,986	37,808
Employee benefit expenses	9	2,733,000	4,498,405

Notes to the Financial Statements

For the year ended 31 December 2010



9. EMPLOYEE BENEFIT EXPENSES

	2010 HK\$	2009 HK\$
Directors' remuneration		
— fee	360,000	334,774
— salaries	1,791,600	2,104,826
— share-based payments	—	1,396,275
— mandatory provident fund contributions	36,000	41,500
	2,187,600	3,877,375
Wages and salaries	528,000	558,364
Share-based payments	—	43,633
Mandatory provident fund contributions	17,400	19,033
	545,400	621,030
	2,733,000	4,498,405

Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees	Salaries, and	Discretionary	Employer's	Employee	Total
	HK\$	allowances	bonuses	mandatory	share-based	
	HK\$	HK\$	HK\$	fund	payments	HK\$
				contributions	HK\$	HK\$
<i>Executive Directors</i>						
Shiu Kwok Keung	—	600,000	—	12,000	—	612,000
Chu Wai Lim	—	291,600	—	12,000	—	303,600
Fong Son Wa	—	300,000	—	—	—	300,000
Wai Chung Fai (a)	—	600,000	—	12,000	—	612,000
<i>Independent Non-executive Directors</i>						
Tsang Wai Wa	120,000	—	—	—	—	120,000
Chen Man Lung	120,000	—	—	—	—	120,000
Choi Shek Chau	120,000	—	—	—	—	120,000
	360,000	1,791,600	—	36,000	—	2,187,600



Notes to the Financial Statements

For the year ended 31 December 2010

9. EMPLOYEE BENEFIT EXPENSES — continued Directors' and senior management's emoluments — continued

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK\$	Salaries, and allowances HK\$	Discretionary bonuses HK\$	Employer's mandatory provident fund contributions HK\$	Employee share-based payments HK\$	Total HK\$
<i>Executive Directors</i>						
Wai Chung Fai (a)	—	600,000	—	12,000	130,900	742,900
Shiu Kwok Keung	—	553,226	—	11,500	872,675	1,437,401
Chu Wai Lim	—	291,600	—	12,000	130,900	434,500
Fong Son Wa	—	300,000	—	—	130,900	430,900
Lau Shun Chi, Benjamin (b)	—	360,000	—	6,000	87,267	453,267
<i>Independent Non-executive Directors</i>						
Shiu Kwok Keung	6,774	—	—	—	—	6,774
Tsang Wai Wa	88,000	—	—	—	—	88,000
Chen Man Lung	120,000	—	—	—	—	120,000
Choi Shek Chau	120,000	—	—	—	43,633	163,633
	334,774	2,104,826	—	41,500	1,396,275	3,877,375

Note:

- (a) Resigned on 11 March 2011.
- (b) Resigned on 30 June 2009.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2009: Nil).

During the year, no emoluments were paid by the Company to the Directors as an inducement to join, or upon joining the Company, or as compensation for loss of office (2009: Nil).

Notes to the Financial Statements

For the year ended 31 December 2010



9. EMPLOYEE BENEFIT EXPENSES — continued Directors' and senior management's emoluments — continued Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include four (2009: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2009: one) individual during the year are as follows:

	2010 HK\$	2009 HK\$
Wages and salaries	420,000	420,000
Bonus	—	—
Share-based payments	—	43,633
Mandatory provident fund contributions	12,000	12,000
	432,000	475,633

The emoluments of the above one (2009: one) highest paid employee during the year were within the emoluments band ranging from nil to HK\$1,000,000.

10. FINANCE COSTS

	2010 HK\$	2009 HK\$
Interest on bank overdrafts	15	24

11. INCOME TAX

No Hong Kong profits tax is provided as there is no estimated assessable profit for the year (2009: Nil).

The taxation on the profit before tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2010 HK\$	2009 HK\$
Profit before tax	12,503,883	1,560,828
Tax calculated at a tax rate of 16.5%	2,063,140	257,537
Tax effects of:		
Income not subject to tax	(3,511,842)	(3,506,376)
Expenses not deductible for tax purposes	757,920	2,552,507
Tax losses for which no deferred income tax asset was recognised	664,723	711,187
Unrecognised deferred tax arising from temporary difference	26,059	(14,855)
Tax credit	—	—

There were no tax charge or credit relating to components of other comprehensive income for the year ended 31 December 2010 and 2009.



Notes to the Financial Statements

For the year ended 31 December 2010

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$12,503,883 (2009: HK\$1,560,828).

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010 HK\$	2009 HK\$
Profit attributable to equity holders of the Company	12,503,883	1,560,828
Weighted average number of ordinary shares in issue	1,630,200,000	1,566,619,726
Basic earnings per share	HK cents 0.77	HK cents 0.10

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010 HK\$	2009 HK\$
Earnings		
Profit attributable to equity holders of the Company	12,503,883	1,560,828
Weighted average number of ordinary shares in issue	1,630,200,000	1,566,619,726
Adjustment for:		
— Share options	—	29,305,256
Weighted average number of ordinary shares for diluted earnings per share	1,630,200,000	1,595,924,982
Diluted earnings per share	HK cents 0.77	HK cents 0.10

Notes to the Financial Statements

For the year ended 31 December 2010



14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office furniture and fixtures HK\$	Total HK\$
Cost			
Additions, as at 31.12.2009 and as at 31.12.2010	282,510	92,448	374,958
Accumulated depreciation			
Depreciation for the year and as at 31.12.2009	89,890	10,785	100,675
Depreciation for the year	154,096	18,489	172,586
As At 31.12.2010	243,986	29,274	273,261
Net book value			
As at 31.12.2010	38,523	63,173	101,697
As at 31.12.2009	192,620	81,663	274,283



Notes to the Financial Statements

For the year ended 31 December 2010

15. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per statement of financial position

31. 12. 2010

	Loans and receivables HK\$	Assets at fair value through the profit or loss HK\$	Available-for-sale HK\$	Total HK\$
Available-for-sale financial assets (Note 16)	—	—	20,820,000	20,820,000
Financial assets at fair value through profit or loss (Note 18)	—	48,393,457	—	48,393,457
Other receivables, prepayments and deposits (Note 20)	5,925,634	—	—	5,925,634
Cash and cash equivalents (Note 21)	22,187,585	—	—	22,187,585
Total	28,113,219	48,393,457	20,820,000	97,326,676

31. 12. 2009

Available-for-sale financial assets (Note 16)	—	—	20,927,000	20,927,000
Financial assets at fair value through profit or loss (Note 18)	—	32,962,224	—	32,962,224
Other receivables, prepayments and deposits (Note 20)	5,748,548	—	—	5,748,548
Cash and cash equivalents (Note 21)	25,092,571	—	—	25,092,571
Total	30,841,119	32,962,224	20,927,000	84,730,343

Except for the deposit for acquisition of an investment of HK\$3,000,000 and interest thereon included in other receivable of HK\$74,794, none of the above other receivables, prepayments and deposits is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. For the aforesaid deposit and interest receivable, details are stated in notes 17 and 20 to the financial statements.

Liabilities as per statement of financial position

31.12.2010

	Liabilities at fair value through the profit or loss HK\$	Derivatives used for hedging HK\$	Other financial liabilities HK\$	Total HK\$
Other payables and accrued charges (Note 23)	—	—	360,714	360,714

31.12.2009

Other payables and accrued charges (Note 23)	—	—	440,850	440,850
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Notes to the Financial Statements

For the year ended 31 December 2010



16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK\$	2009 HK\$
Non-current portion		
At the beginning of the year	20,927,000	22,200,000
Impairment	(107,000)	(613,000)
Fair value gain transfer (from)/to equity	—	(660,000)
	<hr/>	<hr/>
At the end of the year	20,820,000	20,927,000

There were no disposals on available-for-sale financial assets in 2010 or 2009.

Available-for-sale financial assets included the following:

	2010 HK\$	2009 HK\$
Unlisted securities		
— Unlisted securities — the Cayman Islands (note a)	—	107,000
— Unlisted securities — the PRC (note b)	8,820,000	8,820,000
— Unlisted securities — Hong Kong (note c)	12,000,000	12,000,000
	<hr/>	<hr/>
	20,820,000	20,927,000

All the available-for-sale financial assets are denominated in Hong Kong dollars.

The fair values of the investments in Dyxnet Holdings Limited (“Dyxnet”) (note a) and 北京華寶時代國際設備有限公司 (“北京華寶”) (note b) as at 31 December 2010 were arrived at on the basis of business valuations carried out on that date by Roma Appraisals Limited (2009: Roma Appraisals Limited), independent qualified professional valuers not connected with the Company. The valuations were arrived at by reference to the income approach (2009: income approach).

The investment in Becky Agric Resources Co., Limited (“BARL”) (note c) is stated at cost less any impairment.

Notes:

- a. The Company held 5,735 (2009: 5,735) issued ordinary shares in Dyxnet as at 31 December 2010. By reference to the management accounts of the Dyxnet for the year ended 31 December 2009, it represents approximately 0.23% of the total issued ordinary shares of Dyxnet. On 2009, the significant dilution of the equity percentage of the Company had been attributable to the issue of 2,334,567 shares to the directors and employees of Dyxnet under a share option scheme. There were dilutive instruments of 32,324,967 series A-1 convertible preference shares and 179,582 share options outstanding in the books of Dyxnet which may lead to further dilution of the Company’s equity interests in Dyxnet as at 31 December 2009. The Directors considered that the interest in Dyxnet has been diluted and therefore an impairment loss of HK\$107,000 was further recognized in the income statement for the year.
- b. 北京華寶 is engaging in car leasing business. During the year under review, 北京華寶 acquired property in Beijing for leasing purposes.



Notes to the Financial Statements

For the year ended 31 December 2010

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS — continued

- c. On 31 December 2007, the Company entered into a co-operation agreement with Harvest Smart Becky Agric-Bio Technology Limited (Formerly known as Becky Agric Bio Energy Co., Limited) ("Harvest Smart BAB"), an independent third party which wished to form a wholly foreign owned enterprise (the "WFOE"), which will be engaged in the production of organic agricultural products, promotion of organic farming and operating an organic theme park in the PRC. As at 31 December 2007, the Company paid a deposit of HK\$12 million for the investment to Harvest Smart BAB. Pursuant to the co-operation agreement, Harvest Smart BAB has provided a guarantee to the Company for an annual return of not less than HK\$2,640,000 for each of the 5 years ended/ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively (note 19(c)).

In January 2008, Harvest Smart BAB started its organic farming project and signed a sub-contracting contract with Guangdong Conghua City Lu Town Investment Service Centre ("GCCL") for the usage of land. In October 2008, Harvest Smart BAB informed the Company that the organic farming project in Conghua City was terminated because GCCL could not fulfill the contract terms. In December 2008, Harvest Smart BAB informed the Company that the organic farming project would be restarted in Guangdong Luoding City. Pursuant to a supplemental agreement, the Company still enjoys 30% of return of this organic farming operation in the future and Harvest Smart BAB continues to provide profit guarantee to the Company according to the original co-operation agreement.

For the new organic farming project in Luoding City, an investee company, BARL was incorporated in Hong Kong in June 2008. BARL allotted 3,000 ordinary shares, representing 30% equity interests of BARL at a consideration of HK\$12,000,000 to the Company and 70% equity was allotted to Harvest Smart BAB on incorporation.

BARL commenced its organic farming business by investing in an organic farm in Guangdong Luoding City since 2009 and extended their organic products to market during the year ended 31 December 2010; the investment return received through the guarantee profit provided by Harvest Smart BAB is HK\$2,640,000 each for the years of 2009 and 2010.

After due consideration of relevant documents and review of the financial position and management forecast of BARL, the Board confirms that BARL has sufficient net assets value and will be generating positive returns to the Company, no impairment provision for the investment is considered necessary as at 31 December 2010.

The Company has not reclassified any financial assets measured at amortized cost and financial assets measured at fair value during the year.

Fair values of available-for-sale financial assets are as follows:

Unlisted investments

- The Cayman Islands
- The PRC

	2010 HK\$	2009 HK\$
	—	107,000
	8,820,000	8,820,000
	8,820,000	8,927,000

Except for the investment in Dyxnet, none of these financial assets are impaired.

At 31 December 2010 and 2009, the carrying amounts of interests in each of the following companies exceed 10% of total assets of the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares registered capital	Interest held
北京華寶時代國際設備租賃有限公司 ("北京華寶")	PRC	Leasing of equipment, machinery and facilities	US\$2,600,000	30%
Becky Agric Resources Co., Limited ("BARL")	Hong Kong	Organic farming and agriculture business	10,000 ordinary shares of HK\$1 each	30%

Notes to the Financial Statements

For the year ended 31 December 2010



16. AVAILABLE-FOR-SALE FINANCIAL ASSETS — continued

The Company does not have significant influence on 北京華寶 or BARL because:

- the Company did not have any representative on the board of directors or equivalent governing body of 北京華寶 or BARL;
- the Company did not participate in policy-making processes, including participation in decisions about dividends or other distributions;
- the Company did not have any transactions with 北京華寶 or BARL;
- the Company did not interchange any managerial personnel with 北京華寶 or BARL;
- the Company did not provide any technical information to 北京華寶 or BARL.

As the Company did not act to fulfill any one of the issues stated above, it does not consider as having significant influence on the investments. Hence, 北京華寶 or BARL are not considered as the Company's associated companies.

17. DEPOSIT FOR ACQUISITION OF AN INVESTMENT

	2010 HK\$	2009 HK\$
Deposit for acquisition of an investment in — 廣州星越	3,000,000	3,000,000
Less: Provision for impairment loss on a deposit	(3,000,000)	(3,000,000)
	—	—

Movements on the provision for impairment of deposit for acquisition of an investment are as follows:

	2010 HK\$	2009 HK\$
At beginning of the reporting period	3,000,000	—
Provision for impairment	—	3,000,000
At end of the reporting period	3,000,000	3,000,000

As at 31 December 2007, the Company paid a deposit of HK\$3 million to an independent third party (the "vendor") for the purchase of 20% equity interests in an unlisted company, 廣州星越航空服務有限公司 ("廣州星越") (the "Acquisition"). 廣州星越 was incorporated in the PRC as a limited liability company with registered capital of RMB3,800,000. The principal activity of 廣州星越 is the provision of consultancy services on navigation. Other than the aforesaid HK\$3 million, the Company did not have to inject any further funds into this project until he completed certain preliminary works are explained below.



Notes to the Financial Statements

For the year ended 31 December 2010

17. DEPOSIT FOR ACQUISITION OF AN INVESTMENT — continued

To complete the Acquisition, the vendor was required to complete preliminary works including changing 廣州星越 from a domestic private enterprise to a Sino-foreign equity joint venture company (“SFEJV”) and facilitating the SFEJV to obtain a formal business licence which allows the SFEJV to (i) act as an air freight forwarding agent and (ii) provide air freight forwarding enterprise management consultancy service on or before 20 September 2008. On 1 September 2009, the Board extended the period of preparing preliminary works to 20 September 2009 to the vendor after reconsidering the investment potential of the Acquisition.

Since the vendor failed to complete the aforesaid preliminary works by the prescribed time. Therefore, the Company decided to terminate the Acquisition and requested for the refund of the deposit together with an interest calculated at HSBC’s best lending rate. The management kept on following up the status with the vendor and requested the vendor to confirm the balance due as at 31 December 2009 to the Company after the end of the reporting period. However, the Company received no reply from the vendor and has lost contact with the vendor since then. In March 2010, the Company decided to take legal actions against the vendor for his default in repayment, but the Company still could not reach the vendor. The Board considered that the deposit was unlikely to be recovered and therefore full impairment provision of HK\$3,000,000 was made for the year ended 31 December 2009. On 31 December 2010 the Board reviewed the impairment made and there is no reversal of the impairment during the year.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 HK\$	2009 HK\$
Listed securities		
Equity securities — Hong Kong	31,253,514	31,718,716
Equity securities — Australia	17,139,943	1,243,508
Market value of listed securities	48,393,457	32,962,224
Less: non-current portion	(17,995,000)	(22,420,000)
Current portion	30,398,457	10,542,224

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the statement of cash flows (Note 25).

Changes in fair values of financial assets at fair value through profit or loss are recorded in “unrealised fair value gains/ (losses) on financial assets at fair value through profit or loss” in the income statement.

The fair value of all equity securities is based on their current bid prices in active markets.

Notes to the Financial Statements

For the year ended 31 December 2010



19. INVESTMENTS

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Company discloses its list of all investments with a value greater than 5 per cent of the Company's gross assets and at least the 10 (2009: 9) largest investments as at 31 December 2010 and 2009 respectively as follows:

As at 31 December 2010

Name	Nature of business	% of total issued capital	Invested amount HK\$	Carrying amount HK\$ (Note a)	% of gross asset value	Dividend received HK\$
China Bio Cassava Holdings Limited	Development and sale of computer software	3.60%	11,416,390	17,995,000	18.47%	—
Culturecom Holdings Limited	Publishing	0.90%	6,143,677	3,115,900	3.20%	—
Mobile Telecom Network (Holdings) Limited	Provision of mobile internet communication telecommunications	0.60%	984,482	820,864	0.84%	—
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaic business	0.42%	12,414,389	4,249,350	4.36%	—
REXLot Holdings Limited	Provision of lottery machines and related services and financial services	0.01%	22,296	410,000	0.42%	3,900
PetroChina Co. Ltd. — H Shares	Principally engaged in the exploration, development and production and marketing of oil and natural gas	0.00%	890,980	934,720	0.96%	24,806
China Shunhua Energy Co. Ltd. — H Shares	Production and sale of coal and power and provision of transportation services in the PRC	0.00%	1,987,900	1,858,200	1.91%	—
ViaGOLD Capital Limited	Investment holding, property development and leasing and capital financing	3.89%	11,727,980	17,139,943	17.59%	—
北京華寶 (Note 16)	Leasing of equipment, machinery and facilities	30.00%	12,000,000	8,820,000	9.05%	Note b
BARL (Note 16)	Organic farming and agriculture business	30.00%	12,000,000	12,000,000	12.32%	Note c
Total			69,588,094	67,343,977	69.12%	28,706



Notes to the Financial Statements

For the year ended 31 December 2010

19. INVESTMENTS — continued As at 31 December 2009*

Name	Nature of business	% of total issued capital	Invested amount HK\$	Carrying amount HK\$ (Note a)	% of gross asset value	Dividend received HK\$
Culturecom Holdings Limited	Publishing	0.90	6,769,263	2,741,992	3.23%	—
Mobile Telecom Network (Holdings) Limited	Provision of mobile internet communication and telecommunications	1.93	2,649,277	1,214,024	1.43%	—
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaics business	0.46	12,414,389	4,907,700	5.77%	—
REXLot Holdings Limited	Provision of financial services	0.01	22,296	435,000	0.51%	900
ViaGOLD Capital Limited	Investment holding, property development and leasing and capital financing	9.41	11,727,980	1,243,508	1.46%	—
China Bio Cassava Holdings Limited (Note d)	Development and sales of computer software	3.60	11,416,390	22,420,000	26.38%	—
Dyxnet (Note 16)	Provision of internet services	0.23	4,000,000	107,000	0.13%	—
北京華寶 (Note 16)	Leasing of equipment, machinery and facilities	30.00	12,000,000	8,820,000	10.38%	Note b
BARL (Note 16)	Organic farming and agriculture business	30.00	12,000,000	12,000,000	14.12%	Note c
Total			72,999,595	53,889,224	63.41%	900

* The Company held only 9 investments at the year end of 2009

Notes:

- Except for the investment in BARL, all investments are stated at fair values.
- 北京華寶 generated unaudited profit for the year ended 31 December 2010 and no dividend was declared or received from the investment in 北京華寶 for the year ended 31 December 2010 (2009: Nil). Nevertheless, pursuant to the sale and purchase agreement dated 28 November 2007, the vendor of 北京華寶 has provided a guarantee to the Company for an annual return of not less than HK\$2,640,000 for each of the 3 years ended 31 December 2008, 2009 and 2010 respectively. The Company has recorded and subsequently received the investment return of HK\$2,640,000 from the counterparty for the year ended 31 December 2010.
- During the year ended 31 December 2010, no dividend was declared or received from the investment in BARL (2009: Nil). However, pursuant to the original co-operation agreement dated 31 December 2007, the counterparty has provided a guarantee to the Company for an annual return of not less than HK\$2,640,000 for each of the 5 years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. The Company has recorded and subsequently received the investment return of HK\$2,640,000 from the counterparty for the year ended 31 December 2010.
- China Bio Cassava Holdings Limited ("China Bio Cassava") is a company incorporated in the Cayman Islands. As at 31 December 2010, the Company held 295,000,000 (2009: 295,000,000) ordinary shares of China Bio Cassava at a par value of HK\$0.0025 each.

Notes to the Financial Statements

For the year ended 31 December 2010



20. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2010 HK\$	2009 HK\$
Other receivables	5,354,794	5,317,808
Less: Provision for impairment loss on other receivables	(74,794)	(37,808)
Other receivables — net	5,280,000	5,280,000
Prepayments	380,726	131,520
Rental and utility deposits	264,908	337,028
Current portion	5,925,634	5,748,548

Included in other receivables are a guaranteed annual return of HK\$5,280,000 and an interest receivable of HK\$74,794. The guaranteed annual return is receivable from the counterparties of investment contracts the Company has entered into as disclosed in notes 19(b) and 19(c) to the financial statements. The interest receivable represented an interest receivable from a deposit of the acquisition of investment in 廣州星越, as disclosed in note 17.

The carrying values of other receivables, prepayments and deposits approximates to their fair values.

All other receivables, prepayments and deposits are denominated in Hong Kong dollars.

As discussed in note 17 to the financial statements, the Company considers that the deposit of the acquisition of investment in 廣州星越 is unlikely to be recovered, the interest receivable thereon is also fully impaired.

Except for the interest receivable from the deposit, other classes with other receivables, prepayments and deposits do not contain impaired assets.

Movements on the provision for impairment of other receivables are as follows:

	2010 HK\$	2009 HK\$
At beginning of the reporting period		
Provision for receivable impairment	36,986	37,808
At end of the reporting period	74,794	37,808

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as securities.



Notes to the Financial Statements

For the year ended 31 December 2010

21. CASH AND CASH EQUIVALENTS

	2010	2009
	HK\$	HK\$
Cash at bank and securities agent	22,186,032	25,090,933
Cash on hand	1,553	1,638
	22,187,585	25,092,571
Maximum exposure to credit risk	22,186,032	25,090,933

All cash and cash equivalents are denominated in Hong Kong dollars.

22. SHARE CAPITAL AND SHARE PREMIUM

	Number of	Ordinary	Share	Total
	shares	shares	premium	Total
		HK\$	HK\$	HK\$
At 1 January 2009	1,359,600,000	1,359,600	20,476,643	21,836,243
Placing of new shares	249,000,000	249,000	24,150,759	24,399,759
Exercise of share options	21,600,000	21,600	4,211,128	4,232,728
At 31 December 2009 and at 31 December 2010	1,630,200,000	1,630,200	48,838,530	50,468,730

The total number of authorised ordinary shares is 200,000,000,000 shares (2009: 200,000,000,000 shares) with a par value of HK\$0.001 per share (2009: HK\$0.001 per share). All issued shares are fully paid.

On 26 February 2009, the Company entered into a placing agreement (the "Placing Agreement") with a Placing Agent, an independent third party. On 19 March 2009, the placing was completed. Pursuant to the Placing Agreement, the Company issued a total of 249,000,000 ordinary shares with par value of HK\$0.001 each at a price of HK\$0.100 each. The issued share capital of the Company was thus increased from HK\$1,359,600 to HK\$1,608,600. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company will apply approximately HK\$24.4 million of the proceeds raised for numerous future investment opportunities to fulfill the investment objectives of the Company.

During the year no share options were exercised. On 2009, share options were exercised to subscribe for 21,600,000 ordinary shares of the Company at a total consideration of HK\$3,732,500, out of which HK\$21,600 was credited to the share capital, HK\$500,228 was debited to the share-based payment reserves and the balance of HK\$4,211,128 was credited to the share premium.

Notes to the Financial Statements

For the year ended 31 December 2010



23. OTHER PAYABLES AND ACCRUED CHARGES

	2010 HK\$	2009 HK\$
Accrued expenses	360,714	440,850

The carrying value of accrued expenses approximates to its fair value due to its short term maturity.

	2010 HK\$	2009 HK\$
Denominated in:		
— Hong Kong dollars	352,024	432,507
— US dollars	8,690	8,343
	360,714	440,850

24. DEFERRED INCOME TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Company did not recognise deferred income tax assets of HK\$5,354,324 (2009: HK\$4,682,127) in respect of losses amounting to HK\$32,450,447 (2009: HK\$28,376,525) that can be carried forward against future taxable income. The estimated tax losses may be carried forward indefinitely.

No provision for deferred taxation has been made as the Company does not have any significant timing difference in tax provision which is expected to be crystallized in the foreseeable future. (2009: Nil).



Notes to the Financial Statements

For the year ended 31 December 2010

25. CASH USED IN OPERATIONS

	Note	2010 HK\$	2009 HK\$
Profit before income tax		12,503,883	1,560,828
Adjustments for:			
— Depreciation	14	172,586	100,675
— Dividend income	7	(67,956)	(900)
— Impairment loss on available-for-sale financial assets	8	107,000	613,000
— Impairment loss on other receivables	8	36,986	37,808
— Impairment loss on a deposit	8	—	3,000,000
— Interest income	7	(39,500)	(39,865)
— Interest expenses	10	15	24
— Share options granted for the year	29	—	5,932,451
Changes in working capital:			
— Financial assets at fair value through profit or loss		(15,431,233)	(15,270,622)
— Other receivable, prepayments and deposits		(177,086)	290,690
— Other payables and accrued charges		(80,136)	29,536
Cash used in operations		(2,975,441)	(3,746,375)

Non-cash transactions

Included in interest income is an amount receivable from an other receivable of HK\$36,986 (2009: HK\$37,808) whereas the income was fully provided in "Impairment loss on other receivables".

26. COMMITMENTS UNDER OPERATING LEASES

The Company leases an office under a non-cancellable operating lease agreement.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	2010 HK\$	2009 HK\$
Not later than 1 year	209,844	839,376
Later than 1 year but not later than 5 years	—	209,844
	209,844	1,049,220

Notes to the Financial Statements

For the year ended 31 December 2010



27. RETIREMENT BENEFIT OBLIGATIONS

The Company operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$20,000.

The total cost charged to income statement of HK\$53,400 (2009: HK\$60,533) represents contributions payable to this scheme by the Company in respect of the current accounting year.

28. RELATED PARTY TRANSACTIONS

Under Listing rules Chapter 21.13, any investment manager, investment adviser or custodian (or any connected person thereof) is regarded as connected person.

The following transactions were carried out with related parties:

	2010	2009
	HK\$	HK\$
Investment management fee paid and payable to		
Up Way Asia Fund Management Limited	360,000	237,097
Success Talent Investments Limited	—	90,000
	360,000	327,097
Consultancy fees to a substantial shareholder		
Mr. Look Andrew — consultancy Fee	120,000	80,000
— share-based payments	—	1,963,520
	480,000	2,043,520

On 4 May 2009, the Company entered into a new investment management agreement to appoint Up Way Asia Fund Management Limited as a new investment manager of the Company and fixed the management fee of HK\$30,000 per month effective from 1 May 2009.



29. SHARE OPTION SCHEME

The Company's Share Option Scheme (the "Scheme") was adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and will expire on 7 February 2012. Under the Scheme, the Board may grant options to Directors of the Company (including Non-executive Directors and Independent Non-executive Directors) and its eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 for the options granted. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

On 30 January 2008, the Company granted options under the Scheme to certain Directors, employees and consultants of the Company, which entitle them to subscribe for a total of 99,000,000 shares at HK\$0.175 per share, upon payment of HK\$1 per grant.

On 10 June 2009, the Company granted share options under the Scheme to certain Directors, employee and consultants of the Company, which entitle them to subscribe for a total of 135,960,000 ordinary shares at HK\$0.170 per share, upon payment of HK\$1 per grant.

The grant of the aggregate of 135,960,000 share options of which 65,000,000 share options is conditional on, among others, the shareholders' approval at the special general meeting and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such number of Shares which may be issued pursuant to exercise of options to be granted. On 19 August 2009, the shareholders' approval was obtained through the passing of ordinary resolutions at special general meeting and the approval from the Stock Exchange has also been obtained thereafter.

All the 213,360,000 outstanding share options granted and yet to be exercise represents approximately 13.09% of the issued share capital of the Company as at 31 December 2010. All the options granted are exercisable within a period of 10 years commencing on the adoption date. These share options vested at the dates of their issue and they are non-transferable.

Notes to the Financial Statements

For the year ended 31 December 2010



29. SHARE OPTION SCHEME — continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

31 December 2010

Date of grant	Exercise price	As at 1 January 2010	Number of options			As at 31 December 2010	Note
			Granted during the year	Exercised during the year	Cancelled during the year		
Share Option Scheme adopted by the Company on 8 February 2002							
30 January 2008	HK\$0.175	86,900,000	—	—	—	86,900,000	(i)
10 June 2009	HK\$0.170	126,460,000	—	—	—	126,460,000	(i)
		213,360,000	—	—	—	213,360,000	
Weighted average exercise price		HK\$0.172	—	—	—	HK\$0.172	

31 December 2009

Date of grant	Exercise price	As at 1 January 2009	Number of options			As at 31 December 2009	Note
			Granted during the year	Exercised during the year	Cancelled during the year		
Share Option Scheme adopted by the Company on 8 February 2002							
30 January 2008	HK\$0.175	99,000,000	—	(12,100,000)	—	86,900,000	(i)
10 June 2009	HK\$0.170	—	135,960,000	(9,500,000)	—	126,460,000	(i)
		99,000,000	135,960,000	(21,600,000)	—	213,360,000	
Weighted average exercise price		HK\$0.175	HK\$0.170	HK\$0.173	—	HK\$0.172	

Note:

- (i) The share options outstanding at 31 December 2010 and 31 December 2009 were granted to eligible participants and exercisable during a period of 10 years commencing on the date of each grant. These share options vested at the dates of their issues.



Notes to the Financial Statements

For the year ended 31 December 2010

29. SHARE OPTION SCHEME — continued

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK\$	2010 Number of share options	2009 Number of share options
29 January 2018	0.175	86,900,000	86,900,000
9 June 2019	0.170	126,460,000	126,460,000
		213,360,000	213,360,000

During the year of 2010, no share option has been granted. The estimated fair value of the share options granted on 2009 was approximately HK\$5,932,451. Total consideration received/receivable during the period from employees, directors and consultants for taking up the share option granted amounted to HK\$21. The fair value was calculated using the Black-Scholes Option Pricing Model, taking into account the terms and condition upon which the options were granted.

The significant assumptions and inputs used in the valuation model are as follows:

	As at 10.6.2009 HK\$
Spot price	HK\$0.170
Exercise price	HK\$0.170
Expected volatility	100.728%
Expected life (360 days for a year)	180 days
Risk free rate	0.06%
Expected dividend yield	—

Expected volatility was determined based on the historical stock prices of the Company as at the valuation date under the same period as the expected life.

The expected life was determined with reference to the Company's historical share price record as extracted from Bloomberg.

The risk free rate was determined with reference to the Hong Kong Exchange Fund Note and the expected life as extracted from Bloomberg.



	1.1.2006 to 31.12.2006 HK\$	1.1.2007 to 31.12.2007 HK\$	1.1.2008 to 31.12.2008 HK\$	1.1.2009 to 31.12.2009 HK\$	1.1.2010 to 31.12.2010 HK\$
Results					
Profit/(loss) from operations and before income tax	10,025,677	14,998,222	(45,019,191)	1,560,828	12,503,833
Income tax expense/(income)	(18,600)	—	18,600	—	—
Net profit/(loss) for the year	<u>10,007,077</u>	<u>14,998,222</u>	<u>(45,000,591)</u>	<u>1,560,828</u>	<u>12,503,833</u>
Earnings/(loss) per share — Basic (HK cents)	<u>8.10 cents</u>	<u>1.86 cents</u>	<u>(3.31) cents</u>	<u>0.10 cents</u>	<u>0.77 cents</u>

	As at 31 December				
	2006 HK\$	2007 HK\$	2008 HK\$	2009 HK\$	2010 HK\$
Assets and liabilities					
Total assets	56,822,301	93,839,433	50,009,552	85,004,626	97,428,373
Total liabilities	(295,577)	(601,844)	(411,314)	(440,850)	360,714
Total equity	<u>56,526,724</u>	<u>93,237,589</u>	<u>49,598,238</u>	<u>84,563,776</u>	<u>97,067,659</u>