2010

南海控股有限公司

ANNUAL REPORT 二零一零年度年報

南海控股
NAN HAI CORPORATION LIMITED
Stock Code：680 股份代號：680

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive
Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang

Non-executive
Mr. QIN Tian Xiang
Mr. LAM Bing Kwan

Independent Non-executive
Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. LAU Yip Leung

COMPANY SECRETARY

Mr. WATT Ka Po James

AUDITOR

BDO Limited
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

K&L Gates

BERMUDA LEGAL ADVISERS

Appleby

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 15-18, 36/F.,
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL REGISTRAR

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

680

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

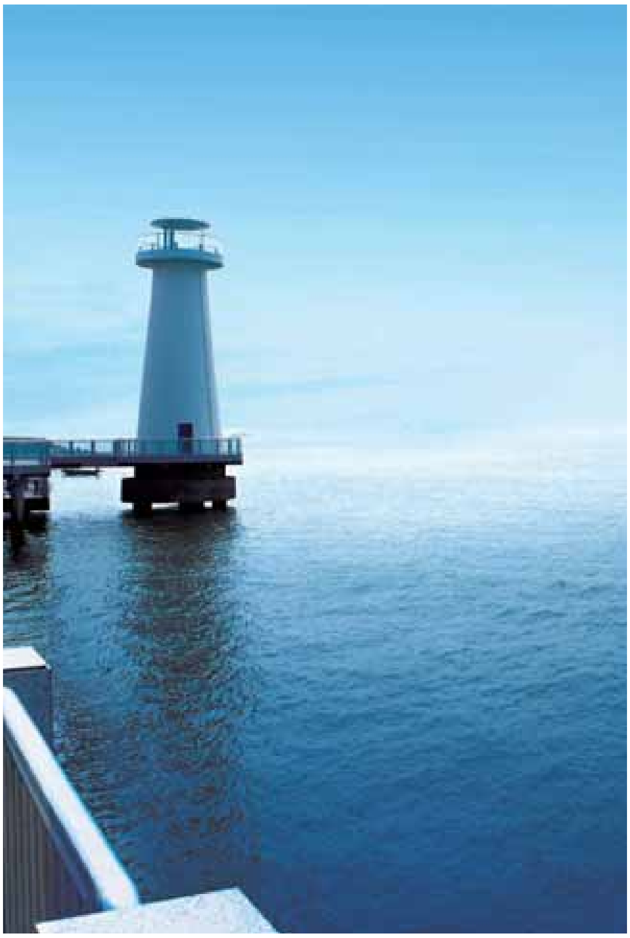
WEBSITE ADDRESS

http://www.nanhaicorp.com

CHAIRMAN'S STATEMENT

For the year ended 31 December 2010, the net loss attributable to owners of the Company and its subsidiaries (collectively the "Group") was HK$381,573,000. The overall performance was not satisfactory. There are two factors leading to the above: Firstly, austerity measures in China have a great impact on the property market which is the core business of the Group. As a result, the project development progress was delayed and hence failed to meet the sales expectation. Secondly, the IT business division of the Company's listed subsidiary, Sino-i Technology Limited ("Sino-i"), remained in a loss-suffering position because Sino-i kept on following its strategies of continued investment in technologies and R&D, and such investment has not yet generated its returns from the market.

CHAIRMAN'S STATEMENT



However, from another perspective, the China property market still has good business potentiality. As for the IT business, especially e-commerce market, is undergoing a structural change and gradually moving to maturity, therefore, both property development business and IT business of the Group have good prospects.

Meanwhile, in recent years, the relevant business in the film industry continuously invested and promoted by Dadi Media (HK) Limited ("Dadi") a subsidiary of the Company, is gradually being established and is on the track for rapid development, which will be the third largest core business of the Group besides property development and IT business.

I. PROPERTY DEVELOPMENT

"The Peninsula" Project

In 2010, various levels of the Chinese government reinforced its controls over the property market. As a result, there was a greater change in the transaction volume of properties in Shenzhen in the same year. The data from the Shenzhen Land Planning Department shows that, the transaction volume of new premises in Shenzhen was approximately 3.21 million sq.m. in 2010, representing a decrease of 50.62% as compared to that in 2009, which was the lowest record since 2001.

In order to increase the portion of the coastal premises with panoramic views which usually command a higher selling price, the Group has altered the land planning. The overall alteration progress has been affected due to a change of the planning of educational facilities. The development of Phase 3 originally scheduled to be launched in April 2010 has to be postponed to 2011. However, as higher revenue is expected to be brought by such alteration, the Group is willing to invest more time.

In 2010, remarkable progress was achieved for Shenzhen International Marina Club project which would enrich the attractiveness of "The Peninsula". The proposal for the development and planning of Marina Club has been approved by the government authorities, and the relevant procedures are expected to be completed in the first half of 2011. By then, about 600 berths will be in service. The project will play an important role in promoting the sales of the remaining phases of "The Peninsula" project in the future.

Following the official roll-out of Shenzhen-Hong Kong modern service industry cooperation zone in Qianhai, which is the only designated urban area by the Chinese government, and the full implementation of the "RMB60 Billion for New Shekou" project by the China Merchants Group, the Group believes that "The Peninsula", which is located in Shekou and adjacent to Qianhai's central area, will enjoy more and better opportunities.

CHAIRMAN'S STATEMENT

Guangzhou "Free City" Project

Piling foundation works and central garden land-filling works of the Guangzhou "Free City" project have been completed. Phase 1 of the project is expected to be available for sale in about August 2011.

In 2010, Guangzhou has become the third city with GDP of over RMB1 trillion in China, among which Huadu automobile industry has accounted for over RMB100 billion. As approved by the State Council, an Airport Comprehensive Free Trade Zone is to be set up within the airport economic zone at Huadu, which would become the third and the largest one in China. It is expected to bring business opportunities which will be worth hundred billions of RMB. Meanwhile, after hosting the Guangzhou Asian Games, the government's city management level has been greatly enhanced and the spending concept of Guangzhou citizens has evolved rapidly. All these factors have led the Group to having full confidence in the prospects of the Guangzhou "Free City" project.

II. CULTURE AND MEDIA

In 2010, the Chinese film industry continued its strong growing trend. According to the "2011年廣電總局電影局新聞通氣稿" extracted from "www.sina.com.cn", the nation's film box office was RMB10.172 billion, representing an increase of 63.9% over 2009. During 2010, there was a nationwide increase of 313 cinemas and of 1,533 screens. For the year ended 31 December 2010, there were 2,000 cinemas and 6,256 screens in total in China. It demonstrates that cinema digitization has become a popular trend.

The Group has formally entered the film distribution division in 2010. Throughout the year, the Group has released six films with an aggregate box office of approximately RMB140 million. A professional and experienced film distribution and promotion team, possessing the capability to distribute big-budget movies independently nationwide, has been established in this division.

In 2010, "www.hipiao.com", a professional film website having the function of online ticketing as well as mobile ticketing with seat selection has been officially launched. For the year ended 31 December 2010, it has provided online ticketing service for 67 Dadi digital cinemas, and has developed a pool of about 480,000 paid members, signifying a strong development trend.

In 2010, 大地晨星科技發展(北京)有限公司 (Dadi Oristar Technology Development (Beijing) Co., Ltd.) ("Dadi Oristar") continued to conduct R&D activities in digital film technology of which the Theatre Management System began to shift from the protocol stage to product development. It is expected that the system will obtain the DCI (Digital Cinema Initiatives) accreditation in 2011.

As for the news and information services division, the Group's publications and media, "Duowei Times", "DW Life Weekly" magazine and "www.duowei.com" website, not only had charges in their layouts but also comprehensive changes in various areas including product form, management mode and business model etc.. It is planned that the distribution sites and circulation will be gradually expanded in the USA.

CHAIRMAN'S STATEMENT

III. SINO-I RELATED BUSINESS

Sino-i, a listed subsidiary of the Company, is mainly engaged in corporate IT application services. At the same time, it also carries on financial information services and distance learning education services.

In the corporate IT application services division, Sino-i strongly believes that e-commerce is the key to achieving informatization for enterprises, having unlimited room for development. It has been committed to making continuous large investment in R&D of the related products and technologies. Recently, e-commerce market in China has emerged new and prominent changes which indicate that e-commerce has been in a stage of substantial application and development.

In 2010, two main subsidiaries of Sino-i, 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli") and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited) ("Xinnet"), whose relevant businesses have achieved a greater growth. Resulting from an improved product mix, both revenue and gross profit margin have improved significantly. Meanwhile, Sino-i has continuously made heavy investments in technology R&D, which in turn has achieved significant progress in key technology areas such as cloud computing and virtualization. Further improvements have also been made through user experience and integrated application, which in turn would enhance the competitiveness of the products and services. Due to the heavy cost in technology R&D, the corporate IT application services business will inevitably remain in a temporarily loss-suffering position before having its profit.

In addition, 北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited) ("Shihua"), which engages in financial information services business, a subsidiary of Sino-i, was loss-suffering throughout 2010. The increase in the number of training programmes in accounting and rapid growth of the number of members for 北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited) ("Chinese Dadi"), which engages in distance learning education services, have realized a turnaround.

IV. CONCLUSION

Over the past year, the Group has further improved the corporate governance structure and established a more efficient operations and management decision mechanism, making significant decisions more standardized and systematic. In respect of team-building, the Group highly emphasizes on recruitment and fostering human capital, and has recruited a considerable number of high calibre personnel, that has also strengthened the management team. Meanwhile, the Group has also established and optimized the communication mechanism for cross-business divisions and cross-departments, facilitating the communication and coordination, and hence enhancing the synergy among the subsidiaries of the Company.

Over the years, the Group has always adhered to its inherit development strategies in its major business divisions, and has accumulated a great deal in respect to its core capability, resources and team-building. The Group has made prospective planning and deployment for facilitating cross-boundary development in 2011. Facing the complicated environment and challenges, the Group is confident with the joint efforts by all staff, well grasping of opportunities and risk management, such that a stable growth can be maintained in property development division; a rapid increase can be achieved in the culture and media division; and a significant breakthrough in self-developed products can be accomplished in the IT division, which in turn create a greater value for the shareholders.

Finally, I hereby express my gratitude to the board of directors (the "Board"), executive committee and all staffs for their dedication and devotion, and also to the shareholders for their concern and support to the Group.

Yu Pun Hoi
Chairman

Hong Kong, 25 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the year under review, the Group was principally engaged in property development, and committed to culture and media services through its subsidiary, Dadi. It also, through Sino-i, engaged in corporate IT application services, financial information services and distance learning education services. During the year, turnover was approximately HK$1,963.5 million (2009: HK$4,008.4 million) and net loss was approximately HK$428.6 million (2009: net profit of HK$138.9 million). The net assets attributable to the owners of the Company was approximately HK$3,740.2 million (2009: HK$3,955.3 million), representing a value of HK$0.054 per share.

Property Development

In 2010, the Group's property development division followed the previous development direction. 75% of the area under Phase 2 of "The Peninsula" in Shenzhen was sold in 2009, so there was no pressure on recoverable amount in 2010. In 2010, under the planning and efforts of the Group, approximately 21,800 sq.m. of gross floor area were sold and sales proceeds amounted to approximately RMB620.4 million. As a result of the austerity measures implemented by the Chinese government, Phase 2 of "The Peninsula" was not able to reach the expected sales progress. For the year ended 31 December 2010, approximately 90% of gross floor area of Phase 2 has been sold. Meanwhile, the prices were flexibly adjusted according to the market trend such that the average selling price per sq.m. was increased as compared to that in 2009. The aggregate sales proceeds from Phase 2 was approximately RMB3,595.8 million, and the remaining 66 units have yet sold. During the year, turnover of this division was approximately HK$715.6 million (2009: HK$3,377.0 million), while net profit before tax was approximately HK$32.1 million (2009: HK$833.9 million).

Another property development project in Guangzhou, namely "Free City", has a gross floor area of approximately 330,000 sq.m. for its Phase 1 development in 2010, of which saleable residential floor area of approximately 210,000 sq.m., entailing a private garden of approximately 60,000 sq.m. and ancillary facilities including a commercial clubhouse and a kindergarten of approximately 60,000 sq.m. upon completion. For the year ended 31 December 2010, the piling foundation construction and land-fillings for the central garden have been completed. The sales of the project is expected to commence in August 2011.

Culture and Media

In 2010, the culture and media division of the Group has developed rapidly. Significant improvements have been achieved in such areas as investment in cinema, online ticketing, film distribution and technical cooperation etc.. As at the end of February 2011, there were 88 digital cinemas in operations, having 359 screens and providing approximately 63,000 seats. Meanwhile, additional 12 cinemas with 62 screens and approximately 10,000 seats were completed but pending for commencement of operations. Moreover, 20 cinemas with 98 screens and approximately 15,000 seats were under construction. In 2010, Dadi digital cinemas recorded a box office of approximately RMB337.8 million, representing a growth of 172% as compared with the same period of last year.

As this division of business is still undergoing an expansion mode which requires sustainable investments, meanwhile, cinemas operation was subject to the industry periodic limitation on the return of operating revenue, the profits were dragged down. It is expected that the business will enter its maturity stage of return, and the business performance of this division will turnaround rapidly.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, turnover and net loss for this division were approximately HK$488.8 million (2009: HK$169.9 million) and approximately HK$63.5 million (2009: 31.9 million) respectively. Of which, the Group's 67 digital cinemas in operations contributed an operating income of approximately HK$443.6 million (2009: HK$162.9 million).

Corporate IT Application Services

The Group's corporate IT application services division retained the business continuity and stability from the previous year. The website, e-commerce platform, mailbox and virtual hosting business of CE Dongli and Xinnet, the subsidiaries of Sino-i, have achieved a greater growth. Both sales income and profit margin have seen positive improvements, and gross profit has recorded a significant increase. During the year, turnover and net loss of this division were approximately HK$711.6 million (2009: HK$427.3 million) and approximately HK$97.1 million (2009: HK$188.4 million) respectively.

Financial Information Services

The Group's financial information services division was in loss-suffering position throughout 2010. The management is determined to take all necessary measures to improve the operation performance. During the year, turnover and net loss of this division were approximately HK$20.2 million (2009: HK$18.3 million) and approximately HK$36.3 million (2009: HK$43.3 million) respectively.

Distance Learning Education Services

The Group's distance learning education services division has introduced new training programmes in accounting. This rapidly helped to increase the number of paid members to 58,661, which has realised a profit for this division. During the year, turnover and net profit of this division were approximately HK$10.2 million (2009: HK$5.8 million) and approximately HK$1.2 million (2009: net loss of HK$4.1 million) respectively.

II. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2010, the net assets attributable to the owners of the Company amounted to approximately HK$3,740.2 million (2009: HK$3,955.3 million), including cash and bank balances of approximately HK$434.9 million (2009: HK$730.9 million) which were denominated mainly in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2010, the Group's aggregate borrowings were approximately HK$3,909.9 million (2009: HK$3,571.6 million), of which approximately HK$3,270.7 million (2009: HK$2,658.3 million) were bearing interest at fixed rates while approximately HK$639.2 million (2009: HK$913.3 million) at floating rates. Due to certain bank loans were raised during the year for the expansion of culture and media division, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 37.28% as at 31 December 2009 to 43.46% as at 31 December 2010.

The capital commitment of the Group as at 31 December 2010 was approximately HK$384.8 million, of which approximately HK$144.5 million would be used as the funding for the construction projects for the headquarters of corporate IT application services, and approximately HK$240.3 million will be used as the capital expenditure for expanding the cinema business.

The Group's contingent liabilities as at 31 December 2010 were approximately HK$79.5 million due to the guarantees given in connection with credit facilities.

As at 31 December 2010, certain properties held for and under development with a total net carrying value of approximately HK$1,495.2 million were pledged to secure credit facilities granted to the Group. In addition, certain debt securities, and equity securities and bank deposits with a carrying amount of approximately HK$38.4 million were pledged for a standby letter of credit up to US$12.6 million issued by a financial institution and other credit facilities respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

III. EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The ever-growing economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by Renminbi exchange rate. Although Renminbi exchange risk exposure did not have significant impact on the Group during the year under review, the Group will keep on reviewing and monitoring the exchange fluctuation between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

IV. EMPLOYEE

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc.. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2010, the Group had approximately 11,194 employees (2009: 9,794 employees). The salaries of and allowances for employees for the year ended 31 December 2010 were approximately HK$682.0 million (2009: HK$519.9 million).

V. PROSPECT

In 2010, comparing to the slow economic recovery in the United States, Europe and Japan, the economy of China did show a relatively significant growth. As the essence of Central Economic Work Conference suggests, "stability" is the key for the macroeconomic policies in 2011. The focus is to balance the relationship among maintaining steady to rapid economic growth, adjusting economic structure and managing inflation expectation.

For property development business, the Group expects that China will maintain a rather stringent control policy on property sector within a certain period in the future. However, having considered such long-term factors as the continuous growth in the economy of China, unceasing acceleration of urbanization and the appreciation of RMB, the Group remains cautious yet positive view towards the prospects of property in China. In 2011, besides continuing to focus on the development of "The Peninsula" and "Free City", the Group will strive to acquire more land resources and development projects through appropriate ways.

For culture and media business, the Group will continue to expand the areas of cinema construction, movie production and distribution and professional movie website construction etc..

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of cinema construction, the Group plans to invest an addition of approximately 500 to 600 digital screens and continues to maintain a rapid expansion momentum. Since 2010, the cinema construction as well as the optimization and adjustment of operations management structure have started to implement. It aims at strengthening the macro-direction on the headquarters level and execution capability on regional level, further establishing the Group's prevailing and leading market presence in the second-tier cities in China.

In respect of movie production and distribution, the Group plans to acquire the domestic distributionship of quality movies in China through various channels including self-investment, joint investment and pre-acquisition. During 2011, in addition to the distribution of several small-to-medium budgeted movies, the Group plans to distribute over two movies and each is expected to have a box office of over RMB100 million, for establishing Dadi's strong market position in domestic movie distribution.

In respect of professional movie website construction, the Group also plans to complete the second upgrade and development of "www.hipiao.com" ticketing system platform and terminal ticket collection equipment to further improve users' experience, enhance users' loyalty and uplift product reputation. In a move to provide a much convenient, efficient and flexible service for movie-goers.

In addition, the 2K Theatre Management System (its technology is developed, and its intellectual property rights are fully owned, by Dadi Oristar, a subsidiary of the Company, is entering the final stage of testing and accreditation. Such technology will fulfill the technical gap in digital movie equipment prevailing in China.

For IT business, Sino-i will continue to put the corporate IT application services as its core business, focus on capturing the development of the China e-commerce market opportunities by launching new products in a timely manner and by integrating internal resources of the Group. The Group will build up a new and radical sales network for expanding its business coverage rapidly and for aggressively exploring new clients while upholding the value and contribution of existing clients so as to increase market share and income. The Group will also continue its efforts in technology R&D and will strive to turnaround the loss position.

Meanwhile, Sino-i will strive to turnaround the performance of its financial information services business, enhance the profitability from distance learning education business, and strive to realize a remarkable improvement to the entire operations.

As a result of the above, in view of the complicated and ever-changing business environment and challenges, the Group will ensure on the basis of stable development of the property development business, an aggressive breakthrough to be achieved in the movie-related business of Dadi, and turnaround the performance of corporate IT application services business, so as to create a greater value for the shareholders.

REPORT OF THE DIRECTORS

The Board of the Company herein presents their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in property development, while culture and media services through Dadi, a subsidiary of the Company, and corporate IT application services, financial information services and distance learning education services through Sino-i.

SEGMENT INFORMATION

Particulars of the Group's turnover and segment information for the year are set out in notes 5 and 6 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 34.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 138.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates as at 31 December 2010 are set out in notes 17 and 18 to the financial statements respectively.

BANK BORROWINGS

The Group's bank borrowings as at 31 December 2010 are set out in note 28 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 32 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2010, the amount of the Company's reserves available for distribution was approximately HK$1,385,250,000. In addition, the Company's share premium account with a balance of HK$965,911,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's sales to the five largest customers for the year ended 31 December 2010 accounted for less than 30% of the Group's total turnover.

For the year ended 31 December 2010, the percentage of purchase attributable to the Group's five largest suppliers was 33.50% with the largest supplier accounted for 19.61%.

Neither the directors, any of their associates nor any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five larges customers and/or five largest suppliers during the year ended 31 December 2010.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 37 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2010, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

PENSION COSTS

Details of retirement benefit plans in respect of the year are set out in note 36 to the financial statements.

DIRECTORS

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

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang
Mr. QIN Tian Xiang#
Mr. LAM Bing Kwan#
Mr. HUANG Yaowen*
Prof. JIANG Ping*
Mr. LAU Yip Leung*

Non-executive directors
* Independent non-executive directors

REPORT OF THE DIRECTORS

DIRECTORS (Continued)

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to Rule 3.13 of the Listing Rules and the Company considers that such directors are independent of the Company.

In accordance with Bye-law 99 of the Company's Bye-Laws, Mr. Wang Gang, Mr. Qin Tian Xiang, Mr. Lam Bing Kwan and Mr. Huang Yaowen shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical Details of Directors

Executive Directors

Mr. YU Pun Hoi, aged 52, joined the Board of the Company in September 2000. Mr. Yu is the chairman of the Board, the chairman of executive committee of, and a controlling shareholder of the Company.

Mr. Yu is also the chairman of the Board of and of the executive committee of Sino-i and, a director of a number of major subsidiaries of the Company and Sino-i.

Ms. CHEN Dan, aged 42, graduated from Beijing Finance & Trade College and conferred a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School, and is also a qualified lawyer in China.

Ms. Chen joined the Group in October 2000. In February 2006, Ms. Chen has been appointed as an executive director and executive committee member of the Company.

Ms. Chen is also an executive director, executive committee member and general manager of Sino-i, and is responsible for all the operation management within Sino-i. Ms. Chen is also a director of a number of major subsidiaries of the Company and Sino-i.

Ms. LIU Rong, aged 39, graduated from the Law School of Anhui University and obtained a Bachelor degree in Laws, and got her Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in China. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu has been appointed as an executive director and executive committee member of the Company in March 2009. Ms. Liu is also a general manager of Dadi, and is responsible for all the related businesses in culture and media.

Ms. Liu is also an executive director and executive committee member of Sino-i, and a director of a number of major subsidiaries of the Company and Sino-i.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Mr. WANG Gang, aged 55, graduated from Capital University of Economics and Business in China and conferred a Bachelor degree in Business Economics and also obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of China Agricultural Bank for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

Mr. Wang joined the Group in December 2007 and then was appointed as a director and general manager of 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian"), a subsidiary of the Company, and is responsible for all the related businesses in property development of the Group.

Mr. Wang has been appointed as an executive director and executive committee member of the Company in March 2009, and a director of a number of major subsidiaries of the Company.

Mr. Wang is also an executive director and executive committee member of Sino-i.

Non-Executive Directors

Mr. QIN Tian Xiang, aged 45, graduated from Electronics Technique Department of the National University of Defense Technology. Mr. Qin has been in presidential and directorship positions in a number of corporations in China and Hong Kong.

Mr. Qin joined the Board of the Company in September 2004, and was then re-designated as an executive director and appointed as an executive committee member of the Company in February 2006. Due to Mr. Qin's health condition, he resigned all the positions of the Company and Sino-i and all respective subsidiaries of the Company and Sino-i in June 2009, save and except his re-designation as a non-executive director of the Company and Sino-i.

Mr. LAM Bing Kwan, aged 61, graduated from the University of Oregon in the United States of America and conferred a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

Mr. Lam joined the Board of the Company in September 2000, and was re-designated as a non-executive director in April 2002. Mr. Lam is also a non-executive director of Sino-i, and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited, eForce Holdings Limited and Lai Sun Garment (International) Limited.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors

Mr. HUANG Yaowen, aged 40, graduated from South West University of Politics and Laws in China and conferred a Bachelor degree in Laws in 1992, and obtained a degree of EMBA in China Europe International Business School. Mr. Huang also holds a Master of Laws conferred by Central Parties School in the PRC, and is a registered attorney at law in China. Mr. Huang is the executive partner of Kai Wen Law Firm which is Chinese commercial law firms in the PRC.

In February 2006, Mr. Huang joined the Board of the Company and has been appointed as a chairman of audit committee and remuneration committee of the Company. Mr. Huang is also an independent non-executive director and chairman of audit committee and remuneration committee of Sino-i.

Prof. JIANG Ping, aged 80, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, conducts lectures for doctoral degree class in civil and commercial laws, the honorary president of China Comparative Law Research Centre, chairman of Beijing Arbitration Commission, and counsellor and member of committee of experts in China International Economic and Trade Arbitration Commission.

In February 2006, Prof. Jiang joined the Board of the Company and has been appointed as a member of audit committee and remuneration committee of the Company. Prof. Jiang is also an independent non-executive director and member of audit committee and remuneration committee of Sino-i.

Mr. LAU Yip Leung, aged 50, graduated from the City University of Hong Kong and awarded an honours degree of Bachelor of Arts in Accountancy in 1991 and also holds an MBA conferred by the University of Hull, UK. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants, member of The Institute of Chartered Accountants in England and Wales, and practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau started his public practice business in 1998, and has been a partner of Messrs. Fung Lau & Company, Certified Public Accountants, since October 2000.

Mr. Lau joined the Board of the Company in May 2006 and is also a member of audit committee and remuneration committee of the Company.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management

Mr. ZHANG Bin (aged 45)
Deputy General Manager – Technology Development
Sino-i Technology Limited

General Manager
北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.)

Mr. Zhang graduated from the Computer Faculty of The University of Defence Technology and his research was in computer architecture. Mr. Zhang has extensive experience in software development and management, and was accredited as Senior Engineer.

Mr. Zhang joined Sino-i Group in 1999, and was responsible for organizing and leading technical teams in areas of R&D and application for IT application services technology. In March 2005, Mr. Zhang was appointed as a chief technology officer of Sino-i Group. In April 2006, Mr. Zhang has been appointed as a deputy general manager of the Technology Development Department of Sino-i Group; general manager of 北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.) ("CE Open"); and deputy general manager of CE Dongli, and is responsible for technological strategy, R&D, product development, technological operation and other related works of Sino-i Group, contributing to a leading position in product development and IT services operation system in China for Sino-i Group.

Mr. Zhang is also a member of executive committee of the Company and Sino-i, and a director of a number of major subsidiaries of Sino-i.

Mr. CHEN Ming Fei (aged 34)
Executive Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Chen has more than 10 years' sales and possesses with acute insight in IT business, and has extensive and professional experiences in product creation, business strategy planning and business management. Prior to joining Sino-i Group, Mr. Chen worked in Vorwerk of Co. KG, a German company.

In 2000, Mr. Chen joined CE Dongli, and was appointed as a national commercial director in 2005, and was responsible for business strategy planning and business management of CE Dongli. In 2006, Mr. Chen was appointed as a deputy general manager of CE Dongli and has been appointed as an executive deputy general manager in June 2007.

Mr. Chen is also a member of executive committee of Sino-i.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Ms. SHI Wenqing (aged 40)
Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Ms. Shi holds a Bachelor degree in Engineering from Beijing University of Agriculture. Prior to joining Sino-i Group, Ms. Shi has worked as a senior sales director in various large size multinational corporations with extensive experience in sales management.

In June 2009, Ms. Shi jointed CE Dongli as a national business director. In February 2010, she was promoted to deputy general manager and is responsible for sales business.

Ms. LIN Chuan Ju (aged 43)
General Manager
北京中企動力商務信息有限公司 (Beijing CE Dongli Business Information Company Limited)

Ms. Lin graduated from National Chiao Tung University in Taiwan, and conferred a Master degree in Marketing Communication from Emerson College of Boston University, and also obtained a qualification of university lecturer. Prior to joining Sino-i Group, Ms. Lin worked in an international advertising company, and was responsible for integrated planning of sales and marketing, internet sales and e-commerce for various renowned corporations. Ms. Lin cooperated with famous Taiwanese artists to organize network alliance for promoting cultural life. Ms. Lin also worked in a magazine namely "Business Today" of Taiwan, and was responsible for the management on the marketing and distribution businesses of the magazine.

Ms. Lin joined Sino-i Group in 2004. In 2005, Ms. Lin was a deputy general manager of CE Dongli, and was responsible for the related business of the corporate information and business promotion. In 2006, Ms. Lin dedicated to constructing "yidaba.com", making it to be a business community for SMEs' continuous development and accommodating corporations and individuals from various industries.

Ms. Lin is also a member of executive committee of Sino-i.

Mr. YAO Jun (aged 39)
Deputy General Manager
北京中企開源信息技術有限公司 (Beijing CE Open Source Software Co., Ltd.)

Mr. Yao holds a Bachelor degree in Management Information System from Tsinghua University and obtained an MBA degree from Beijing International MBA (BiMBA) at Peking University. Prior to joining Sino-i Group, Mr. Yao worked in various well-known IT corporations and institutions, and has extensive experience in technology R&D and management.

In December 2005, Mr. Yao joined Sino-i Group and was appointed as a director of financial data department of CE Open. In July 2008, Mr. Yao was promoted to deputy general manager of CE Open and is responsible for R&D and operations management of various products lines of Sino-i Group.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Mr. LU Yan (aged 39)
Deputy General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Lu holds a Bachelor degree in Arts from Beijing International Studies University and obtained an MBA degree from the University of Leeds, UK. Prior to joining Sino-i Group, Mr. Lu has worked as a senior executive of call center of various well-known IT and internet corporations with extensive management and customer communication experience in call center operations.

In December 2009, Mr. Lu joined Sino-i Group and was appointed as a senior director of call center in Sino-i Group and also as a senior director of customer services in CE Dongli. In October 2010, Mr. Lu was promoted to deputy general manager and is responsible for the management of call center and customer services department.

Mr. WU Fa Ti (aged 40)
General Manager
北京華夏大地遠程教育網絡服務有限公司 (Beijing Chinese Dadi Distance Education Company Limited)

Mr. Wu graduated from the Information Science College of Beijing Normal University and obtained a Doctor of Education Technology. Mr. Wu has hosted or participated in more than 20 national, provincial and departmental major scientific research projects and published four academic writings. Mr. Wu is the expert member of technical committee of China-US E-Language Learning System (ELLS) of the Ministry of Education; expert member of resource development committee of "The Project of Modern Distance Education in Rural Area" of the Ministry of Education; member of China Educational Technology Association; member of Chinese Association for Artificial Intelligence Computer Based Education Society; and chairman of program committee of the 12th Global Chinese Conference on Computers in Education.

In June 1999, Mr. Wu joined Sino-i Group as a director of education technology of Chinese Dadi, and was promoted to general manager in 2006.

Mr. XU Ke (aged 33)
General Manager
北京世華國際金融信息有限公司 (Beijing Shihua International Financial Information Company Limited)

Mr. Xu graduated from Peking University and Northeastern University in USA and obtained a Doctor of Science and a qualification of Chartered Financial Analyst. Prior to joining Sino-i Group, Mr. Xu has worked in Bloomberg, an international well-known company, and was responsible for the design and R&D of futures analysis products, and also as a member of UBS-Bloomberg CMCI Index Advisory Committee.

In September 2009, Mr. Xu joined Sino-i Group and was appointed as a product director and executive deputy general manager of Shihua and is responsible for strategic planning, product design and team construction. In February 2011, Mr. Xu was promoted to general manager.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Mr. XUE Bo Ying (aged 42)
General Manager
Nan Hai Development Limited

General Manager
深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited)

Mr. Xue graduated from Huazhong University and conferred a Master degree in architecture from Tsinghua University, and is a certified first-level architect, and a certified town planner in China. Prior to joining the Group, Mr. Xue worked in senior positions as deputy general manager, senior architect and architectural design director in both foreign and local Chinese corporations in China, and also worked in Guangzhou City Construction Commission.

Mr. Xue joined the Group in January 2006 and was appointed as an architectural design director of the Company, and was responsible for overall architectural design of various property projects of the Group in China. In February 2009, Mr. Xue has been appointed as an executive deputy general manager of Nan Hai Development Limited ("Nan Hai Development"), a subsidiary of the Company, and was promoted to general manager in July 2010 and is also a general manager of Nanhai Yitian, and is responsible for the overall business development, operating results and management performance of the Group.

Mr. Xue is also a member of executive committee of the Company.

Mr. CHENG Chih Hung (aged 55)
Executive Director
Nan Hai Development Limited

Prior to joining the Group, Mr. Cheng was in senior position in United Task Marketing Ltd. and United Communication Inc., and has experience in management of international information and media business for many years, and extensive experience in management of marketing and media.

Mr. Cheng was a general manager of Shihua between 2004 and 2007 and was appointed as a deputy chairman in 2007, and subsequently has been appointed as an executive director of Nan Hai Development, and is responsible for marketing and sales.

Ms. LIN Mei Yao (aged 39)
Deputy General Manager
Dadi Media (HK) Limited

Ms. Lin graduated from Shih Hsin University, major in Graphic Communications, and obtained a degree of Publishing and Communication from Chinese Culture University. Ms. Lin has extensive and in-depth experience in sales planning, advertisement planning, marketing and internet sales etc..

In May 2004, Ms. Lin joined CE Dongli, and has been appointed as a director of marketing, and has been appointed as a deputy general manager of Dadi in August 2008, and is responsible for the related businesses in cinema operations and film distribution.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Mr. LIU Kai Jun (aged 36)
Deputy General Manager
廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited)

Mr. Liu graduated from Zhejiang Gongshang University, major in Financial Accounting, and is a qualified accountant in China. Mr. Liu worked in finance department of OEG Group, a subsidiary of Siemens, during the period from 1995 to 2000.

Mr. Liu joined CE Dongli in August 2001, and was responsible for operation management of its branches offices. In August 2005, Mr. Liu involved in the cinema investment, and was responsible for cinema development and facilities construction business.

Ms. YANG Bettina (aged 40)
General Manager
北京世華時代信息技術有限公司 (Beijing Shihua Time Information Technology Co., Ltd.)

Ms. Yang obtained a Master degree in International Public Policy from School of Advanced International Studies, Johns Hopkins University, USA and Bachelor degree of Public Communication and Spanish from American University, USA. In 1998, Ms. Yang was in position of vice president – public relations of Partnership for Caring, an American charitable organization, and was responsible for planning national public relation strategy, and negotiating with American legislative and administrative departments in view of the congress bills and the related polices. Ms. Yang has extensive and professional experience in information sector both domestically and internationally.

Ms. Yang joined the Group in 1999 and has been appointed as a general manager of Beijing Shihua Time Information Technology Co., Ltd. in 2006.

Mr. CUI Xiaojian (aged 57)
General Manager
廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.)

Mr. Cui obtained a Bachelor degree in Chinese Language. Mr. Cui worked for the Communist Youth League of Guangzhou Party Committee during the period from 1972 to 1976 as a deputy director, director of publicity department, general secretary, and vice chairman of Youth Federation . In 1987, Mr. Cui was re-designated to Daya Bay nuclear power station in Shenzhen. Mr. Cui was then appointed as a general manager of Cultural Development Co., Ltd. of Intelligence Industry Corporation in Guangzhou Development Zone in 1989. In 1999, Mr. Cui was appointed as a general manager of Guangzhou Branch of Tianbai Broadband Network Technology Co., Ltd.

In 2005, Mr. Cui joined in the Group and was appointed as a general manager of 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.), a subsidiary of the Company.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Biographical Details of Senior Management (Continued)

Mr. KO Haowen (aged 47)
General Manager
廣州自由人男子籃球俱樂部股份有限公司 (Guangzhou Freeman Basketball Club Company Limited)

Mr. Ko graduated from International Trade Department of Chinese Culture University, Taiwan. Mr. Ko has worked in the position of sales director of advertising companies and well-known enterprises, with extensive experience in sales planning, sales management and business management etc.. In 1994, he started his career in China.

In February 2009, Mr. Ko joined the Group and was appointed as a general manager of 廣州自由人男子籃球俱樂部股份有限公司 (Guangzhou Freeman Basketball Club Company Limited), a subsidiary of the Company, and is responsible for operation and management of Guangzhou Freeman Basketball Club. The basketball team came out top in the past two seasons' basketball league.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

(i) *Long position in shares in issue*

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	–	34,945,726,203 *(Note 1)*	69,326,400 *(Note 2)*	35,015,052,603	51.01%
Chen Dan	32,000,000	–	–	32,000,000	0.05%
Wang Gang	8,500,000	–	–	8,500,000	0.01%
Qin Tian Xiang	7,000,000	–	–	7,000,000	0.01%

Notes:

1. Out of these 34,945,726,203 shares, 31,203,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.

2. These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

The Company (Continued)

(ii) Long position in underlying shares

Name of Director	Number of underlying shares of HK$0.01 each*	Nature of interest	Approximate percentage holding
Chen Dan	7,000,000	Personal	0.01%
Liu Rong	7,000,000	Personal	0.01%
Lam Bing Kwan	3,000,000	Personal	0.004%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Grantee	Date of grant	Exercise price per share HK$	Number of share options granted	Exercisable period
Chen Dan	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Liu Rong	20-04-2009	0.0702	3,500,000	01-01-2010 to 31-12-2011
			3,500,000	01-01-2011 to 31-12-2011
Lam Bing Kwan	20-04-2009	0.0702	1,500,000	01-01-2010 to 31-12-2011
			1,500,000	01-01-2011 to 31-12-2011

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2010, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	Personal interest	Corporate interest	Family interest	Total interest	Approximate percentage holding
Yu Pun Hoi	–	12,515,795,316 *(Note 1)*	44,000,000 *(Note 2)*	12,559,795,316	63.07%

Notes:

1. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.

2. These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at 31 December 2010, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

The share options granted on 18 January 2007 at an exercise price of HK$0.0714 per share expired at the close of the business on 18 January 2009.

On 20 April 2009, another share options to subscribe for a total of 185,200,000 shares, representing approximately 0.62% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors, employees of the Group and those who have contributed to the Group at an exercise price of HK$0.0702 per share. The closing price of share of the Company immediately preceding the date of grant was HK$0.070 per share.

Movements on the share options during the year are as follows:

				Number of share options				
Grantee	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010
Directors								
Chen Dan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	3,500,000	–	–	–	3,500,000
		01-01-2011 to 31-12-2011	0.0702	3,500,000	–	–	–	3,500,000
Liu Rong	20-04-2009	01-01-2010 to 31-12-2011	0.0702	3,500,000	–	–	–	3,500,000
		01-01-2011 to 31-12-2011	0.0702	3,500,000	–	–	–	3,500,000
Lam Bing Kwan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	1,500,000	–	–	–	1,500,000
		01-01-2011 to 31-12-2011	0.0702	1,500,000	–	–	–	1,500,000
Employees								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	74,800,000	–	(500,000)*	(8,600,000)	65,700,000
		01-01-2011 to 31-12-2011	0.0702	78,500,000	–	–	(9,100,000)	69,400,000
Other Participants								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	5,950,000	–	–	–	5,950,000
		01-01-2011 to 31-12-2011	0.0702	5,950,000	–	–	–	5,950,000
Total				182,200,000		(500,000)	(17,700,000)	164,000,000

* The weighted average closing price of the shares immediately preceding the date on which the options were exercised was HK$0.111.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(2) Participants

The participants include:

a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;

b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Invested Entity;

d. any customer of the Group or any Invested Entity;

e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;

f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme or 30% of the issued share capital of the Company from time to time. No share options may be granted under the Scheme if this will result in such limit exceeded. As at the date of this report, the number of Shares available for issue in respect thereof is 2,182,355,418 shares representing approximately 3.18% of the issued share capital of the Company.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue. Any grant of further share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

(5) The period within which the shares must be taken up under a share option

The period within which the Shares must be taken up a share option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant share option.

(6) Minimum period for exercising a share option

The Board of the Company may at its discretion determine the minimum period for which a share option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

(8) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

(9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Except for the Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2010, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	*Notes*
Kung Ai Ming	Family and Corporate interest	35,015,052,603	51.01%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	3
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2&3
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	3
CITIC Group	Corporate interest	8,635,691,472	12.58%	2
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.

2. CITIC Group was indirectly interested in 8,635,691,472 shares, of which interests are held by its wholly-owned subsidiary, Staverley Assets Limited, and its 40% owned company, Macro Resources Ltd.

3. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Ltd. is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Ltd. was included as the interest of Righteous International Limited.

4. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 31 December 2010, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company and the Group are set out in note 42 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the law in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 28 to 32.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. The Audit Committee has reviewed with the auditor of the Company and management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2010, and discussed the auditing, financial control, internal control and risk management systems.

AUDITOR

The financial statements since the financial year ended 31 March 2001 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co.. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 19 November 2010. The financial statements for the year ended 31 December 2010 were audited by BDO.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Yu Pun Hoi
Chairman

Hong Kong, 25 March 2011

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high corporate governance standard and unambiguous procedures to ensure the integrity, transparency and quality of disclosure in order to enhance its shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board of the Company, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010, except for the deviations from Code Provisions A.2.1 and A.4.1 which, in the Company's opinion, are unsuitable or inappropriate for adoption. Explanations for such non-compliance are provided below.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2010.

The Company has also established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

DELEGATION BY THE BOARD

The overall management of the Company's businesses is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and monitoring its affairs. All directors should take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned senior management of the Company.

The Board has the full support of its board committees and the senior management of the Company to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The current Board is made up of nine directors including four executive directors, two non-executive directors and three independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 13 to 15 under the heading "Biographical Details of Directors and Senior Management". The Board consists of the following:

Executive Directors

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang

Non-executive Directors

Mr. QIN Tian Xiang
Mr. LAM Bing Kwan

Independent Non-executive Directors

Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. LAU Yip Leung

The Board is also responsible for the procedures of agreeing to the appointment of its own members and for nominating on first appointment and thereafter at regular intervals by rotation. It reviews the structure, size and composition (including the skill, knowledge and experience) of the Board from time to time and determines the appointments of directors.

To the best knowledge of the Company, the Board members do not have any financial, business and family or other material/relevant relationship with each other. During the year, the Board held 11 meetings.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Non-executive Directors

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three INEDs of whom Mr. Lau Yip Leung is a certified public accountant in Hong Kong. Besides, Mr. Huang Yaowen is a practicing lawyer in the PRC.

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

BOARD COMMITTEES

The Board has established three board committees, namely Executive Committee, Audit Committee and Remuneration Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Executive Committee

The Company formulated written terms of reference for the Executive Committee, which consists of executive directors and senior management of the Company as follows:

Mr. YU Pun Hoi *(Chairman)*	
Ms. CHEN Dan	
Ms. LIU Rong	
Mr. WANG Gang	
Mr. Zhang Bin*	(appointed on 6 December 2010)
Mr. Xue Bo Ying*	(appointed on 6 December 2010)

* Senior Management

The duties of the Executive Committee are empowered to plan, determine, approve, implement, handle, arrange, review and amend all policies, operations and internal control of the Group, ensuring that the delegation of its powers to the senior management is clearly defined, and that a transparent reporting procedural system is in place and effectively monitored. The Executive Committee held 6 meetings during the year.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of all INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Audit Committee)*
Prof. JIANG Ping
Mr. LAU Yip Leung

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reports and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

During the year, the Audit Committee held 5 meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2009 and the unaudited interim results for the six months ended 30 June 2010, and discussed the auditing, financial control, internal control and risk management systems.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Remuneration Committee

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of all the INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Remuneration Committee)*
Prof. JIANG Ping
Mr. LAU Yip Leung

The Remuneration Committee is responsible for ensuring formal and transparent procedures for formulating remuneration policies and overseeing the remuneration packages of the directors and senior management. It takes into consideration on such factors as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions and desirability of performance-based remuneration. The Remuneration Committee held 1 meeting during the year.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The following table shows the individual attendance of each director at the meetings of the full Board, the Executive Committee, the Audit Committee and the Remuneration Committee for the year ended 31 December 2010:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Executive Committee**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. YU Pun Hoi	11	6	N/A	N/A
Ms. CHEN Dan	11	5	N/A	N/A
Ms. LIU Rong	10	4	N/A	N/A
Mr. WANG Gang	10	5	N/A	N/A
Non-executive Directors				
Mr. QIN Tian Xiang	0	N/A	N/A	N/A
Mr. LAM Bing Kwan	11	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. HUANG Yaowen	10	N/A	5	1
Prof. JIANG Ping	10	N/A	5	1
Mr. LAU Yip Leung	11	N/A	5	1
Number of meetings held during the year	11	6	5	1

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the Auditor's external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 33.

The remuneration paid to the external auditor of the Group in respect of audit services and non-audit services for the year ended 31 December 2010 amounted to HK$5,855,000 and HK$35,000 respectively. An analysis of the remuneration paid to the external auditor of the Company is set out in note 8 to the financial statements.

INTERNAL CONTROLS

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibilities and authorities to the senior management.

During the year under review, the Board, Audit Committee and Executive Committee, have conducted regular reviews of the effectiveness of the internal control procedures of the Group.

On behalf of the Board

Watt Ka Po James
Company Secretary

Hong Kong, 25 March 2011

INDEPENDENT AUDITOR'S REPORT

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香港干諾道中111號
永安中心25樓

To the shareholders of Nan Hai Corporation Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nan Hai Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 34 to 136, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

BDO Limited
Certified Public Accountants

Chiu Wing Cheung Ringo
Practising Certificate Number: P04434

Hong Kong, 25 March 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue/Turnover	5(a)	**1,963,454**	4,008,375
Cost of sales and services provided		**(807,976)**	(2,479,610)
Gross profit		**1,155,478**	1,528,765
Other operating income	5(b)	**43,708**	70,247
(Loss)/Gain on disposal and dissolution of subsidiaries	35(b)	**(58)**	56,170
Gain on early repayment of amounts due to shareholders	27(e)	**–**	51,145
Selling and marketing expenses		**(417,946)**	(340,861)
Administrative expenses		**(460,405)**	(360,795)
Other operating expenses		**(327,337)**	(171,866)
Finance costs	7	**(274,431)**	(256,047)
Share of results of associates	18	**2,097**	639
Loss on deemed partial disposal of interest in an associate		**(11,355)**	–
(Loss)/Profit before income tax	8	**(290,249)**	577,397
Income tax expense	9	**(138,314)**	(438,504)
(Loss)/Profit for the year		**(428,563)**	138,893
(Loss)/Profit for the year attributable to:			
Owners of the Company	10	**(381,573)**	200,833
Non-controlling interests		**(46,990)**	(61,940)
		(428,563)	138,893
		HK cent	HK cent
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the year	11		
– Basic		**(0.5559)**	0.2926
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
(Loss)/Profit for the year	**(428,563)**	138,893
Other comprehensive income, including reclassification adjustments		
Exchange gain on translation of financial statements of foreign operations	**168,480**	15,400
Exchange differences reclassified on disposal and dissolution of subsidiaries	**–**	(1,384)
Reserve reclassified on disposal of subsidiaries	**–**	(4,246)
Exchange differences reclassified on deemed partial disposal of interest and dissolution of associates	**(342)**	–
Other comprehensive income for the year, including reclassification adjustments	**168,138**	9,770
Total comprehensive income for the year	**(260,425)**	148,663
Total comprehensive income attributable to:		
Owners of the Company	**(216,743)**	210,420
Non-controlling interests	**(43,682)**	(61,757)
	(260,425)	148,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**848,545**	529,361
Investment property	14	**–**	11,409
Prepaid land lease payments under operating leases	15	**14,713**	57,019
Interest in associates	18	**108,802**	117,374
Available-for-sale financial assets		**473**	324
Deposits and other receivables	19	**248,921**	275,561
Intangible assets	20	**470,123**	307,626
Deferred tax assets	31	**62,831**	33,369
Pledged bank deposits	24	**–**	118,254
		1,754,408	1,450,297
Current assets			
Inventories	21	**7,394,682**	6,916,215
Financial assets at fair value through profit or loss	22	**212,506**	414,031
Trade receivables	23	**137,847**	138,055
Deposits, prepayments and other receivables	19	**542,538**	838,290
Amount due from an associate	27(d)	**5,153**	4,828
Pledged bank deposits	24	**37,446**	2,280
Cash and cash equivalents	24	**397,405**	610,341
		8,727,577	8,924,040
Non-current assets classified as held for sale	16	**75,225**	–
		8,802,802	8,924,040
Current liabilities			
Trade payables	25	**345,475**	375,716
Other payables and accruals	26	**795,434**	670,268
Deferred revenue		**64,030**	82,404
Provision for tax		**569,697**	497,231
Amount due to a director	27(a)	**107,046**	147,184
Amounts due to shareholders	27(b)	**5,006**	5,006
Amount due to a minority shareholder	27(c)	**495**	406
Amounts due to associates	27(d)	**5,505**	19,156
Bank borrowings	28	**280,137**	473,364
Finance lease liabilities	29	**16**	16
Finance from third parties	30	**2,834,233**	–
		5,007,074	2,270,751
Net current assets		**3,795,728**	6,653,289
Total assets less current liabilities		**5,550,136**	8,103,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Bank borrowings	28	**795,478**	439,957
Finance lease liabilities	29	**34**	49
Finance from third parties	30	**–**	2,658,182
Deferred tax liabilities	31	**234,404**	226,542
		1,029,916	3,324,730
Net assets		**4,520,220**	4,778,856
EQUITY			
Share capital	32	**686,455**	686,450
Reserves	34	**3,053,736**	3,268,857
Equity attributable to the Company's owners		**3,740,191**	3,955,307
Non-controlling interests		**780,029**	823,549
Total equity		**4,520,220**	4,778,856

Yu Pun Hoi
Director

Wang Gang
Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**152**	288
Interests in subsidiaries	17	**–**	–
		152	288
Current assets			
Amounts due from subsidiaries	27(f)	**5,728,653**	5,783,219
Other receivables and deposits		**1,668**	1,846
Cash and cash equivalents	24	**16,197**	17,285
		5,746,518	5,802,350
Current liabilities			
Other payables and accruals		**8,155**	5,882
Amount due to a director	27(a)	**71,387**	105,520
Loan from subsidiaries	27(h)	**1,634,551**	–
Amounts due to subsidiaries	27(g)	**982,504**	989,621
Finance lease liabilities	29	**16**	16
		2,696,613	1,101,039
Net current assets		**3,049,905**	4,701,311
Total assets less current liabilities		**3,050,057**	4,701,599
Non-current liabilities			
Loan from subsidiaries	27(h)	**–**	1,544,576
Finance lease liabilities	29	**34**	49
		34	1,544,625
Net assets		**3,050,023**	3,156,974
EQUITY			
Share capital	32	**686,455**	686,450
Reserves	34	**2,363,568**	2,470,524
Total equity		**3,050,023**	3,156,974

Yu Pun Hoi
Director

Wang Gang
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(290,249)**	577,397
Adjustments for:			
Interest income		**(11,688)**	(22,396)
Interest expenses		**26,377**	32,349
Finance costs on finance from third parties		**248,054**	223,698
Dividend income		**(2,590)**	(449)
Depreciation of property, plant and equipment		**92,637**	58,359
Depreciation of investment property		**55**	649
Amortisation of intangible assets other than goodwill		**68,037**	32,622
Write-off of property, plant and equipment		**1,686**	886
Write-off of intangible assets		**214**	–
Loss/(Gain) on disposal and dissolution of subsidiaries		**58**	(56,170)
Loss on deemed partial disposal of interest in an associate		**11,355**	–
Gain on early repayment of amounts due to shareholders		**–**	(51,145)
Operating lease charges on prepaid land leases		**1,161**	1,308
Bad debt written-off and provision for impairment of receivables		**891**	7,224
Write-off of loan interest receivables		**–**	5,200
Loss on disposal of property, plant and equipment		**185**	36
Net fair value loss/(gain) on financial assets at fair value through profit or loss		**52,263**	(34,974)
Equity-settled share-based compensation expenses		**1,754**	3,752
Share of results of associates		**(2,097)**	(639)
Operating profit before working capital changes		**198,103**	777,707
Decrease in inventories		**181,499**	1,165,077
Decrease in trade receivables, deposits, prepayments and other receivables		**85,922**	198,438
(Decrease)/Increase in trade payables, other payables and accruals		**(25,393)**	252,971
(Decrease)/Increase in deferred revenue		**(20,761)**	27,339
Increase in amount due from an associate		**–**	(4,808)
(Decrease)/Increase in amounts due to associates		**(11,082)**	13,649
Decrease in amount due to a director		**(40,138)**	(84,788)
Decrease/(Increase) in financial assets at fair value through profit or loss		**152,371**	(32,802)
Cash generated from operations		**520,521**	2,312,783
Interest received		**3,581**	15,604
Interest paid		**(60,680)**	(4,880)
Income taxes paid		**(110,386)**	(53,872)
Net cash generated from operating activities		**353,036**	2,269,635

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

for the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Payments to acquire intangible assets		**(21,228)**	(20,761)
Payments to acquire property, plant and equipment		**(430,207)**	(299,284)
Acquisition of associates		**–**	(113,636)
Net cash inflow arising from acquisition of subsidiaries	35(a)	**1,096**	250
Increase in deposits and other receivables		**(103,275)**	(121,611)
Decrease/(Increase) in pledged bank deposits		**83,115**	(120,534)
Proceeds from disposal of property, plant and equipment		**22,395**	278
Net cash outflow arising from disposal and dissolution of subsidiaries	35(b)	**–**	(97)
Dividend income		**2,590**	449
Net cash used in investing activities		**(445,514)**	(674,946)
Cash flows from financing activities			
Repayments of bank borrowings		**(898,691)**	(1,623,385)
Repayments of finance lease liabilities		**(15)**	(318)
Repayments of finance from third parties		**(263,799)**	(234,523)
Proceeds from bank borrowings		**1,026,420**	272,387
Proceeds from finance from third parties		**–**	387,525
Proceeds from issuance of share capital		**35**	–
Proceeds from security brokers and margin financiers		**3,051**	1,306
Net cash used in financing activities		**(132,999)**	(1,197,008)
Net (decrease)/increase in cash and cash equivalents		**(225,477)**	397,681
Cash and cash equivalents at 1 January		**610,341**	210,875
Effect of foreign exchange rate changes, on cash held		**12,541**	1,785
Cash and cash equivalents at 31 December		**397,405**	610,341
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**397,405**	610,341
		397,405	610,341

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Equity attributable to the Company's owners									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	686,450	965,881	1,933,719	16,428	2,120	313,453	(154,620)	3,763,431	894,340	4,657,771
Equity-settled share-based compensation expenses	–	–	–	–	3,752	–	–	3,752	–	3,752
Released on disposal and dissolution of subsidiaries	–	–	(22,296)	–	–	–	–	(22,296)	(9,034)	(31,330)
Transactions with owners	–	–	(22,296)	–	3,752	–	–	(18,544)	(9,034)	(27,578)
Profit for the year	–	–	–	–	–	–	200,833	200,833	(61,940)	138,893
Other comprehensive income										
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	15,217	–	15,217	183	15,400
Exchange difference reclassified on disposal and dissolution of subsidiaries	–	–	–	–	–	(1,384)	–	(1,384)	–	(1,384)
Reserve reclassified on disposal of subsidiaries	–	–	–	(4,246)	–	–	–	(4,246)	–	(4,246)
Total comprehensive income for the year	–	–	–	(4,246)	–	13,833	200,833	210,420	(61,757)	148,663
Released on expiry/forfeiture of share options	–	–	–	–	(2,180)	–	2,180	–	–	–
Transfer to general reserve	–	–	–	654	–	–	(654)	–	–	–
At 31 December 2009	686,450	965,881*	1,911,423*	12,836*	3,692*	327,286*	47,739*	3,955,307	823,549	4,778,856

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Equity attributable to the Company's owners									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	686,450	965,881	1,911,423	12,836	3,692	327,286	47,739	3,955,307	823,549	4,778,856
Issue of ordinary shares upon exercise of share options	5	30	13	–	(13)	–	–	35	–	35
Equity-settled share-based compensation expenses	–	–	–	–	1,754	–	–	1,754	–	1,754
Transactions with owners	5	30	13	–	1,741	–	–	1,789	–	1,789
Loss for the year	–	–	–	–	–	–	(381,573)	(381,573)	(46,990)	(428,563)
Other comprehensive income										
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	165,172	–	165,172	3,308	168,480
Exchange differences reclassified on deemed partial disposal of interest and dissolution of associates	–	–	–	–	–	(342)	–	(342)	–	(342)
Total comprehensive income for the year	–	–	–	–	–	164,830	(381,573)	(216,743)	(43,682)	(260,425)
Released on expiry/forfeiture of share options	–	–	–	–	(506)	–	506	–	–	–
Transfer to general reserve	–	–	–	155,977	–	–	(155,977)	–	–	–
Released on acquisition of additional interest in subsidiaries	–	–	–	–	–	–	(162)	(162)	162	–
At 31 December 2010	686,455	965,911*	1,911,436*	168,813*	4,927*	492,116*	(489,467)*	3,740,191	780,029	4,520,220

* These reserve accounts comprise the consolidated reserves of HK$3,053,736,000 (2009: HK$3,268,857,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1. GENERAL INFORMATION

Nan Hai Corporation Limited (the "Company") is a limited liability company incorporated in 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 Units 15-18, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in property development, culture and media services, corporate IT application services, financial information services and distance learning education services. Details of the principal activities of the Company's subsidiaries are set out in note 17.

The financial statements for the year ended 31 December 2010 were approved for issue by the board of directors (the "Board") on 25 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 34 to 136 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Business combination from 1 January 2010

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Business combination and basis of consolidation (Continued)

Business combination prior to 1 January 2010

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

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

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

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

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates

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

In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associates is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associates recognised for the year.

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

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

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

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

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

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

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

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to 33-1/3%, or over lease terms whichever involves shorter period
Motor vehicles/yachts	10% to 33-1/3%

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

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

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

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

2.7 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.16. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment property

Investment property is a building which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Where the Group acquires a property to earn rental income and/or for capital appreciation, and the property locates on leasehold land which is classified as an operating lease, the cost of acquiring the property is allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element when the property is recognised. The amount attributed to the land element is accounted for under the Group's accounting policy stated in note 2.7 whereas the amount allocated to the building element is accounted for as the cost of investment property.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of investment property using the straight-line method over the lease term.

Transfer from investment property to property, plant and equipment shall be made when, and only when, there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to owner-occupied property. The transfers between investment property and owner-occupied property which are measured at cost less accumulated depreciation and impairment losses do not change the carrying amount of the property transferred and the cost of that property on transfer.

2.9 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.22).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Other intangible assets and research and development activities

Other intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4 years
Customer relationships	2 years
Development cost	4 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Intangible assets, such as trademark and masthead, with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.22.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

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

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.19 to these financial statements.

(ii) Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group, national or local economic conditions that correlate with defaults on the assets in the group, and the failure to renegotiate the repayment terms of loan and receivables that would otherwise be past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

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

(i) Financial assets at amortised cost

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

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

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the profit of loss.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(i) Property development

The cost of properties under development for sale comprises the acquisition cost of land, materials, labour and other direct expenses and an appropriate proportion of overheads, and capitalised finance costs (see note 2.25). The cost of completed properties held for sale developed by the Group is determined by apportionment of the total development costs for that development project attributable to the unsold properties.

(ii) Confectionery and merchandise goods

Cost comprises the cost of purchased goods calculated using FIFO method.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks or other financial institutions, and short-terms highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.14 Financial liabilities

The Group's financial liabilities include bank borrowings, finance from third parties, trade and other payables and finance lease liabilities. They are included in line items in the statement of financial position as bank borrowings, finance lease liabilities, finance from third parties, trade payables, other payables and accruals, amount due to a director, amounts due to shareholders, amount due to a minority shareholder, amounts due to associates, amounts due to subsidiaries and loan from subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.25).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial liabilities (Continued)

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

Borrowings

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

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

Trade and other payables

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.16).

Finance from third parties

The finance from a third party is recognised initially at fair value, net of transaction costs incurred. The finance from a third party is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the finance contract on a systematic basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.16 Leases

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Leases (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges as the lessee

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

(iv) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Provisions and contingent liabilities

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

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

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition, unless the fair value cannot be measured reliably, and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under other payables and accruals.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period of time unless there is evidence that some other method better represents the stage of completion.

Ticket income from the sale of tickets owned and controlled by the Group is recognised as income when the ticket is issued.

Sales of confectionery, merchandise and souvenir are recognised when goods are delivered.

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

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

2.20 Deferred revenue

Deferred revenue consists primarily of deferred revenue from prepaid service fees received from subscribers and fair value of bonus liabilities granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of points. Revenue from prepaid service fees and bonus liabilities are recognised when the relevant services are rendered.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other operating income" in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid land lease payments under operating leases, non-current portion of deposits, investment property and, interests in subsidiaries and associates are subject to impairment testing.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of clarification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

2.24 Employee benefits

(i) *Short-term employee benefits*

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(ii) *Retirement benefits*

The Group operates several staff retirement schemes for employees in Hong Kong and Mainland China, the People's Republic of China (the "PRC"), comprising defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant subsidiaries of the Group.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 10% to 22% (depending on the locations of the subsidiaries) of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,000. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Employee benefits (Continued)

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to capital reserve. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

2.25 Finance costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Segment reporting

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

The Group has identified the following reportable segments:

(a) Financial information services

(b) Corporate IT application services

(c) Distance learning education services

(d) Property development

(e) Culture & media services

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm length prices.

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

- Share of results of associate
- Loss on deemed partial disposal of interest in an associate
- Certain bank and other interest income
- (Loss)/Gain on disposal and dissolution of subsidiaries
- Gain on early repayment of amounts due to shareholders
- Certain finance costs
- Income tax expense
- Corporate income and expenses which are not directly attributable to the business activities or any operating segment

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Segment reporting (Continued)

Segment assets include all assets but interest in associates, amount due from an associate, available-for-sale financial assets and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for tax and amounts due to a director/shareholders/a minority shareholder/associates.

No asymmetrical allocations have been applied to reportable segments.

2.28 Related parties

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Impact of new and amended HKFRSs which are effective during the year

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
Amendment to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

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

The revised accounting policies are described in note 2.2 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

The impact of the application of HKFRS 3 (Revised) is as follows:

HKFRS 3 (Revised) allows a choice on a transaction–by–transaction basis for the measurement of non–controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non–controlling interests' share of recognised identifiable net assets of the acquiree. HKFRS 3 (Revised) also requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree. The settlement of pre-existing relationship is not regarded as part of a business combination. It also requires acquisiton-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. The adoption of HKFRS 3 (Revised) has had no material impact to the financial statements for current year.

The application of HKAS27 (Revised) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding change in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increase in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non–controlling interests was recognised in profit or loss. Under HKAS 27 (Revised), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 Impact of new and amended HKFRSs which are effective during the year (Continued)

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

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non–controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised standard has affected the accounting for the Group's acquisition of addition interests in two existing subsidiaries in current year. The change in policy has resulted in the difference of approximately HK$162,000 between the consideration paid of HK$4 and the adjustment to increase non–controlling interests of approximately HK$162,000, being recognised directly in equity, instead of goodwill. Therefore, the change in accounting policy has resulted in a decrease in goodwill of approximately HK$162,000.

HKAS 28 (Revised) Investments in Associates

The principle adopted under HKAS 27 (Revised) (see above) that a loss of control is recognised as a disposal and re–acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate fair value, with any consequential gain or loss recognised in profit or loss. In addition, as part of Improvements to HKFRSs issued in 2010, HKAS 28 (Revised) has been amended to clarify that the consequential amendments to HKAS 28 in relation to transactions where the investor loses significant influence over an associate should be applied prospectively. The Group has applied the amendments to HKAS 28 (Revised) as part of Improvements to HKFRSs issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010).

This adoption of HKAS 28 (Revised) did not affect the accounting for partial disposal of the Group's interest as the Group retained significant influence in such associate.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of its leases in the PRC as operating leases continues to be appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.1 Impact of new and amended HKFRSs which are effective during the year (Continued)

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

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

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

The adoption of HK Interpretation 5 has had no impact to the financial statements for current year and prior year.

3.2 Impact of new and amended HKFRSs which are issued but not yet effective

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

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

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

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Impact of new and amended HKFRSs which are issued but not yet effective (Continued)

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

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

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

The directors are in the process of making an assessment of the potential impact of these new/revised HKFRSs but are not yet in a position to state whether they could have material financial impact on the Group's results and financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

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.

4.1 Critical accounting estimates and assumptions

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

Depreciation and amortisation

The Group depreciates and amortises the investment property, property, plant and equipment and intangible assets other than goodwill on a straight-line basis over the estimated useful life, and after taking into account their estimated residual values, at the rates of 5% per annum, 5% to 33-1/3% per annum and 25% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's investment property, property, plant and equipment and intangible assets other than goodwill.

Provision for impairment of receivables

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

Net realisable value of completed properties held for sale and properties under development

Management determines the net realisable value of completed properties held for sale and properties under development by using prevailing market data such as most recent sale transactions and valuation report provided by independent qualified professional valuers.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.22. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 20.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the Group's accounting policies

Current tax and deferred tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Research and development activities

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Group's management.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

5. REVENUE /TURNOVER AND OTHER OPERATING INCOME

(a) The Group's turnover represents revenue from its principal activities as set out below:

	2010 HK$'000	2009 HK$'000
Sales of properties	**715,561**	3,376,953
Distance learning education services	**10,237**	5,798
Corporate IT application services	**711,554**	427,267
Property management	**17,101**	10,142
Financial information services	**20,238**	18,340
Culture and media services	**45,154**	7,006
Ticketing income	**389,635**	141,200
Confectionery sales	**53,974**	21,669
	1,963,454	4,008,375

(b) Other operating income :

	2010 HK$'000	2009 HK$'000
Bank interest income	**1,644**	2,973
Other interest income	**8,506**	6,138
Total interest income on financial assets not at fair value through profit or loss	**10,150**	9,111
Interest income on financial assets designated at fair value through profit or loss	**1,538**	13,285
Dividend income	**2,590**	449
Net fair value gain on financial assets at fair value through profit or loss	**–**	34,974
Rental income	**1,264**	2,837
Government grants	**14,043**	3,610
Sundry income	**14,123**	5,981
	43,708	70,247

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION

The executive directors have identified the Group's five product and service lines as operating segments as further described in note 2.27.

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

	2010						
	Financial information services HK$'000	Corporate IT application services HK$'000	Property development HK$'000	Distance learning education services HK$'000	Culture & media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue							
From external customers	20,238	711,554	715,561	10,237	488,763	17,101	1,963,454
From other segments	–	1,984	–	–	–	6,494	8,478
Reportable and all other segments revenue	20,238	713,538	715,561	10,237	488,763	23,595	1,971,932
Reportable and all other segments (loss)/profit	(36,298)	(97,117)	32,079	1,206	(63,485)	(58,790)	(222,405)
Interest income on financial assets designated at fair value through profit or loss	–	–	1,538	–	–	–	1,538
Bank interest income	7	173	1,271	3	79	26	1,559
Other interest income	–	–	5,601	–	–	–	5,601
Interest income on financial assets not at fair value through profit or loss	7	173	6,872	3	79	26	7,160
Finance costs	–	(4,111)	(268,648)	–	(1,609)	–	(274,368)
Depreciation and amortisation of non–financial assets	(600)	(95,309)	(3,890)	(127)	(61,343)	(406)	(161,675)
Provision for impairment of receivables	–	(96)	–	–	(225)	–	(321)
(Loss)/Gain on disposal of property, plant and equipment	(112)	17	–	(66)	(24)	–	(185)
Reportable and all other segments assets	8,194	1,075,058	8,290,409	4,229	769,550	147,903	10,295,343
Additions to non–current segment assets during the year	106	266,597	1,956	–	328,982	839	598,480
Reportable and all other segments liabilities	(22,808)	(232,137)	(4,765,291)	(1,612)	(283,161)	(9,205)	(5,314,214)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION (Continued)

	2009						
	Financial information services HK$'000	Corporate IT application services HK$'000	Property development HK$'000	Distance learning education services HK$'000	Culture & media services HK$'000	All other segments HK$'000	Total HK$'000
Revenue							
From external customers	18,340	427,267	3,376,953	5,798	169,875	10,142	4,008,375
From other segments	–	–	–	–	–	–	–
Reportable and all other segments revenue	18,340	427,267	3,376,953	5,798	169,875	10,142	4,008,375
Reportable and all other segments profit/(loss)	(43,276)	(188,414)	833,938	(4,118)	(31,896)	(709)	565,525
Interest income on financial assets designated at fair value through profit or loss	–	–	13,285	–	–	–	13,285
Bank interest income	5	446	2,374	2	38	19	2,884
Other interest income	–	–	1,327	–	–	–	1,327
Interest income on financial assets not at fair value through profit or loss	5	446	3,701	2	38	19	4,211
Finance costs	–	(4,847)	(223,728)	–	–	(1)	(228,576)
Depreciation and amortisation of non-financial assets	(631)	(61,003)	(1,620)	(1,133)	(27,958)	(289)	(92,634)
(Provision)/Reversal for impairment of receivables	9	(1,240)	–	77	(784)	–	(1,938)
Reportable and all other segments assets	10,079	832,815	8,327,132	919	482,431	310,208	9,963,584
Additions to non-current segment assets during the year	211	144,279	10,643	9	184,989	1,390	341,521
Reportable and all other segments liabilities	(21,700)	(221,146)	(4,575,917)	(2,400)	(61,099)	(5,014)	(4,887,276)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION (Continued)

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

	2010 HK$'000	2009 HK$'000
Reportable segment revenue	**1,948,337**	3,998,233
All other segments revenue	**23,595**	10,142
Elimination of inter segment revenue	**(8,478)**	–
Group revenue	**1,963,454**	4,008,375
Reportable segment results	**(163,615)**	566,234
All other segments results	**(58,790)**	(709)
Bank interest income	**85**	89
Other interest income	**2,905**	4,811
Interest income on financial assets not at fair value through profit or loss	**2,990**	4,900
Depreciation and amortisation	**(245)**	(502)
(Loss)/Gain on disposal and dissolution of subsidiaries	**(58)**	56,170
Gain on early repayment of amounts due to shareholders	**–**	51,145
Provision for impairment of receivables	**(192)**	–
Finance costs	**(63)**	(27,471)
Share of results of associates	**2,097**	639
Loss on deemed partial disposal of interest in an associate	**(11,355)**	–
Unallocated corporate expenses	**(59,203)**	(73,009)
Elimination of inter segment profits	**(1,815)**	–
(Loss)/Profit before income tax	**(290,249)**	577,397

	2010 HK$'000	2009 HK$'000
Reportable segment assets	**10,147,440**	9,653,376
All other segment assets	**147,903**	310,208
Interest in associates	**108,802**	117,374
Amount due from an associate	**5,153**	4,828
Deferred tax assets	**62,831**	33,369
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**86,613**	254,858
Elimination of inter-segment assets	**(1,856)**	–
Group assets	**10,557,210**	10,374,337
Reportable segment liabilities	**5,305,009**	4,882,262
All other segment liabilities	**9,205**	5,014
Amount due to a director	**107,046**	147,184
Amounts due to shareholders	**5,006**	5,006
Amount due to a minority shareholder	**495**	406
Amounts due to associates	**5,505**	19,156
Provision for tax	**569,697**	497,231
Other corporate liabilities	**35,027**	39,222
Group liabilities	**6,036,990**	5,595,481

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

6. SEGMENT INFORMATION (Continued)

The Group's revenues from external customers and its non-current assets (other than deferred tax assets and financial instruments) are divided into the follow geographical areas :

	Revenue from external customer		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China (domicile)	**1,926,637**	3,999,444	**1,672,647**	1,279,403
Hong Kong	**11,185**	2,561	**1,502**	2,079
USA	**17,469**	6,370	**16,955**	16,868
Singapore	**–**	–	**–**	79,616
Kuwait	**–**	–	**–**	38,638
Others	**8,163**	–	**–**	–
Total	**1,963,454**	4,008,375	**1,691,104**	1,416,604

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in the Mainland China, and therefore, the Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

7. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**60,616**	125,510
Finance costs on finance from third parties wholly repayable within five years	**433,203**	375,619
Interest on other payables	**148**	–
Interest on finance leases	**3**	32
Interest on amounts due to shareholders	**–**	27,468
Total finance costs on financial liabilities not at fair value through profit or loss	**493,970**	528,629
Less: Amount directly attributable to properties held for and under development capitalised *	**(219,539)**	(272,582)
	274,431	256,047

* The finance costs have been capitalised at a rate of 5.40% to 16.02% (2009: 4.87% to 16.02%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

8. (LOSS)/PROFIT BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Gross amortisation of intangible assets other than goodwill	**68,037**	32,622
Less: Amount included in research and development expenses	**(2,542)**	–
Net amortisation of intangible assets other than goodwill*	**65,495**	32,622
Auditors' remuneration	**5,855**	5,413
Bad debts written off*	**378**	5,286
Cost of provision of corporate IT application services	**167,990**	120,788
Cost of sales of properties	**334,948**	2,252,468
Cost of confectionery	**22,453**	10,980
Cost of provision of financial information services	**11,067**	9,774
Cost of provision of culture and media services	**255,766**	76,440
Cost of inventories sold – distance learning materials	**1,282**	1,111
Cost of provision of property management services	**14,470**	8,049
Cost of sales and services provided	**807,976**	2,479,610
Gross depreciation of property, plant and equipment – owned assets	**92,641**	58,535
Less: Amounts included in cost of provision of corporate IT application services	**–**	(190)
Amounts capitalised in intangible assets	**(30)**	(198)
Amounts included in research and development expenses	**(225)**	(75)
Net depreciation of owned assets*	**92,386**	58,072
Depreciation of leased assets*	**26**	22
Depreciation of investment property*	**55**	649
Write-off of property, plant and equipment*	**1,686**	886
Write-off of intangible assets other than goodwill*	**214**	–
Loss on disposal of property, plant and equipment*	**185**	36
Net fair value loss/(gain) on financial assets at fair value through profit or loss*	**52,263**	(34,974)
Net foreign exchange loss*	**7,716**	2,032
Gross operating lease charges on land and buildings	**73,670**	62,010
Less: Amounts included in cost of provision of corporate IT application services	**–**	(556)
Amounts capitalised in intangible assets	**(906)**	(846)
Amounts included in research and development expenses	**(59)**	–
Net operating lease charges on land and buildings	**72,705**	60,608
Operating lease charges on prepaid land lease*	**1,161**	1,308
Provision for impairment of receivables*	**513**	1,938
Write–off loan interest receivables*	**–**	5,200
Research and development expenses*	**40,473**	12,999

* included in other operating expenses

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

9. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
The tax expense comprises:		
Current tax		
– Hong Kong Profits Tax		
Tax charge for the year	**8,870**	13,599
– PRC Enterprise Income Tax		
Tax charge for the year	**91,328**	265,857
Over-provision in respect of prior years	**–**	(491)
– PRC land appreciation tax	**65,794**	184,775
	165,992	463,740
Deferred tax		
– Credit for the year (note 31)	**(27,678)**	(25,236)
	(27,678)	(25,236)
	138,314	438,504

For the year ended 31 December 2010 and 31 December 2009, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

PRC Enterprise Income Tax ("EIT") has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2009:25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Certain subsidiaries of the Group are wholly-owned foreign enterprises in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises and are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (2009:15%).

No provision for US federal income tax and state income tax as the subsidiaries of the Group have not derived any assessable profits in US for the year ended 31 December 2010 (2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

9. INCOME TAX EXPENSE (Continued)

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

	2010	2009
	HK$'000	HK$'000
(Loss)/Profit before income tax	**(290,249)**	577,397
Tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(58,520)**	125,065
Tax effect of non-deductible expenses	**137,664**	155,613
Tax effect of non-taxable income	**(6,181)**	(19,924)
Tax effect of unused tax losses not recognised	**35,871**	29,202
Utilisation of tax loss previously not recognised	**(6,443)**	(177)
Tax effect on PRC land appreciation tax	**(29,398)**	(33,221)
Tax effect on temporary differences not recognised	**(473)**	(2,338)
PRC land appreciation tax	**65,794**	184,775
Over–provision in prior years	**–**	(491)
Income tax expense	**138,314**	438,504

10. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to the owners of the Company of HK$381,573,000 (2009: consolidated profit of HK$200,833,000), a loss of HK$108,740,000 (2009: HK$108,846,000) has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK$381,573,000 (2009: profit of HK$200,833,000) and on the weighted average of 68,645,531,684 (2009: 68,645,035,794) ordinary shares in issue during the year.

Diluted per share amount for the year ended 31 December 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

The share options had no dilutive effect on the earnings per share for the year ended 31 December 2009, as the exercise price of the options outstanding during the year exceeds the average market price of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 **HK$'000**	2009 HK$'000
Directors' fee (note 37(a))	**977**	978
Wages and salaries	**566,339**	420,527
Pension costs – defined contribution plans	**83,031**	69,139
Equity-settled share-based compensation expenses	**1,754**	3,752
Staff welfare	**30,835**	26,489
	682,936	520,885
Less: Amounts capitalised in intangible assets	**(4,823)**	(14,896)
	678,113	505,989

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Motor vehicles/ Yacht HK$'000	Total HK$'000
At 1 January 2009					
Cost	24,157	341,191	29,205	20,964	415,517
Accumulated depreciation	(1,812)	(147,762)	–	(1,002)	(150,576)
Net carrying amount	22,345	193,429	29,205	19,962	264,941
Year ended 31 December 2009					
Opening net carrying amount	22,345	193,429	29,205	19,962	264,941
Additions	–	195,943	111,795	13,857	321,595
Acquisition of subsidiaries (note 35(a))	–	300	–	–	300
Disposals	–	(237)	–	(77)	(314)
Disposal and dissolution of subsidiaries (note 35(b))	–	(39)	–	–	(39)
Write-off	–	(715)	–	(171)	(886)
Depreciation	(1,207)	(55,803)	–	(1,547)	(58,557)
Exchange differences	81	1,501	611	128	2,321
Closing net carrying amount	21,219	334,379	141,611	32,152	529,361
At 31 December 2009 and 1 January 2010					
Cost	24,250	523,854	141,611	34,538	724,253
Accumulated depreciation	(3,031)	(189,475)	–	(2,386)	(194,892)
Net carrying amount	21,219	334,379	141,611	32,152	529,361
Year ended 31 December 2010					
Opening net carrying amount	**21,219**	**334,379**	**141,611**	**32,152**	**529,361**
Additions	**–**	**352,705**	**76,833**	**668**	**430,206**
Transfer from investment property (note 14)	**11,488**	**–**	**–**	**–**	**11,488**
Acquisition of subsidiaries (note 35(a))	**–**	**1,093**	**–**	**–**	**1,093**
Disposals	**–**	**(22,456)**	**–**	**(124)**	**(22,580)**
Transfer to non-current assets classified as held for sale (note 16)	**(32,152)**	**–**	**–**	**–**	**(32,152)**
Write-off	**–**	**(1,686)**	**–**	**–**	**(1,686)**
Depreciation	**(1,517)**	**(87,201)**	**–**	**(3,949)**	**(92,667)**
Exchange differences	**962**	**16,848**	**6,651**	**1,021**	**25,482**
Closing net carrying amount	**–**	**593,682**	**225,095**	**29,768**	**848,545**
At 31 December 2010					
Cost	**–**	**856,189**	**225,095**	**35,736**	**1,117,020**
Accumulated depreciation	**–**	**(262,507)**	**–**	**(5,968)**	**(268,475)**
Net carrying amount	**–**	**593,682**	**225,095**	**29,768**	**848,545**

The carrying amount of the Group's property, plant and equipment includes an amount of HK$30,000 (2009: HK$56,000) in respect of assets held under finance lease.

As at 31 December 2009, certain buildings of the Group were charged to secure banking facilities as detailed in note 40.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements, furniture, fixtures and equipment HK$'000
At 1 January 2009	
Cost	467
Accumulated depreciation	(261)
Net carrying amount	206
Year ended 31 December 2009	
Opening net carrying amount	206
Additions	244
Depreciation	(162)
Closing net carrying amount	288
At 31 December 2009 and 1 January 2010	
Cost	711
Accumulated depreciation	(423)
Net carrying amount	288
Year ended 31 December 2010	
Opening net carrying amount	**288**
Additions	**10**
Depreciation	**(146)**
Closing net carrying amount	**152**
At 31 December 2010	
Cost	**721**
Accumulated depreciation	**(569)**
Net carrying amount	**152**

The carrying amount of the Company's property, plant and equipment includes an amount of HK$30,000 (2009: HK$56,000) in respect of assets held under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

14. INVESTMENT PROPERTY

Group

	HK$'000
At 1 January 2009	
Cost	12,989
Accumulated depreciation	(974)
Net carrying amount	12,015
Year ended 31 December 2009	
Opening net carrying amount	12,015
Depreciation	(649)
Net exchange differences	43
Closing net carrying amount	11,409
At 31 December 2009 and 1 January 2010	
Cost	13,039
Accumulated depreciation	(1,630)
Net carrying amount	11,409
Year ended 31 December 2010	
Opening net carrying amount	**11,409**
Depreciation	**(55)**
Transfer to property, plant and equipment (note 13)	**(11,488)**
Net exchange differences	**134**
Closing net carrying amount	**–**
At 31 December 2010	
Cost	**–**
Accumulated depreciation	**–**
Net carrying amount	**–**

The fair value of the Group's investment property as at 31 December 2009 of approximately HK$41,236,000 had been determined by an independent professional qualified valuer, Vigers Appraisal and Consulting Limited, which is a member of Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in valuation of similar properties in recent locations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

15. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interests in leasehold land/land use rights represent prepaid operating lease payments and their carrying book value are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Outside Hong Kong, held on land with :		
Unexpired terms of leases of between 10 to 50 years	**14,713**	57,019

	Group	
	2010	2009
	HK$'000	HK$'000
Opening net carrying amount	**57,019**	58,111
Annual charges of prepaid operating lease payment	**(1,161)**	(1,308)
Transfer to non-current assets classified as held for sale (note 16)	**(43,073)**	–
Net exchange differences	**1,928**	216
Closing net carrying amount	**14,713**	57,019

As at 31 December 2010, no leasehold land was charged to secure banking facilities.

As at 31 December 2009, certain leasehold land was pledged to secure certain banking facilities granted to the Group (note 40).

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In October 2010 the board resolved and announced to dispose of its interest in certain prepaid land lease payments under operating leases and property, plant and equipment. The disposal was completed in January 2011 and the Group has entered into operating lease agreement for the lease of property from 1 February 2011 to 30 June 2011. As at 31 December 2010, the following major classes of assets relating to this disposal have been classified as held for sale in the consolidated statement of financial position.

	Group	
	2010	2009
	HK$'000	HK$'000
Prepaid land lease payments under operating leases (note 15)	**43,073**	–
Property, plant and equipment (note 13)	**32,152**	–
	75,225	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

17. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**578**	578
Less : Provision for impairment	**(578)**	(578)
	–	–

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

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
China Enterprise ASP Limited ("CE ASP")	Hong Kong	9,000,000 ordinary shares of HK$1 each	–	62.85	Investment holding
Chinese Media Net, Inc. ("CMN")	United States of America ("USA")	90,000,000 ordinary shares of US$0.01 each	–	53.06	Media network, online news and newspaper publishing
Dadi Entertainment Limited ("Dadi Entertainment")	Hong Kong	2 ordinary shares of HK$1 each	–	100	Investment holding, film distribution and production
Dadi Media Limited ("Dadi Media")	Hong Kong	2 ordinary shares of HK$1 each	–	62.85	Investment holding
Dadi Media (HK) Limited ("Dadi")	Hong Kong	1 ordinary share of HK$1 each	100	–	Investment holding
Goalrise Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100	–	Trading of securities
Ko Tact Limited	BVI	1 ordinary share of US$1 each	–	100	Investment holding
Listar Properties Limited	BVI	20,000,000 ordinary shares of US$1 each	–	100	Investment holding

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for the year ended 31 December 2010

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company		Principal activities
			Directly	Indirectly	
Liu Wan Development (BVI) Company Limited	BVI	215,000,000 ordinary shares of US$1 each	–	100	Investment holding
Liu Wan Investment Company Limited	Hong Kong	2 ordinary shares of US$1 each	–	100	Investment holding
Nan Hai Development Limited (previously named as Nan Hai Development (HK) Limited)	Hong Kong	2 ordinary shares of HK$1 each	100	–	Investment holding
Rich King Inc.	BVI	50,000 ordinary shares of US$1 each	–	62.85	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	–	62.85	Investment holding
Shihua (Hong Kong) Financial Information Company Limited	Hong Kong	5,000,000 ordinary shares of HK$1 each	–	62.85	Provision of financial information
Sino-i Technology Limited ("Sino-i")	Hong Kong	19,914,504,877 ordinary shares of HK$0.01 each	–	62.85	Investment holding
Victorious Limited	BVI	1 ordinary share of US$1 each	–	62.85	Trading of securities
View Power Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
Wise Advance Investments Limited	BVI	1 ordinary share of US$1 each	100	–	Investment holding
中企動力科技股份有限公司 (note a)	PRC	RMB500,000,000	–	62.75	Information technology business
北京中企開源信息技術有限公司 (note b)	PRC	RMB50,000,000	–	62.85	Information technology business

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17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company		Principal activities
			Directly	Indirectly	
北京世華國際金融信息有限公司 (note b)	PRC	RMB130,000,000	–	50.28	Provision of financial information
北京紅旗貳仟軟件技術有限公司 (note b)	PRC	RMB98,000,000	–	54.68	Information technology business
北京紅旗中文貳仟軟件技術有限公司 (note c and d)	PRC	RMB10,000,000	–	40.85	Information technology business
北京華夏大地遠程教育網絡服務有限公司 (note b)	PRC	RMB50,000,000	–	59.71	Operation of an educational portal and provision of online distance learning education services
北京新網科技發展有限公司 (note b)	PRC	RMB14,485,000	–	62.85	Information technology business
北京新網數碼信息技術有限公司 (note b)	PRC	RMB10,000,000	–	62.85	Information technology business
北京中企動力廣告有限公司 (note b)	PRC	RMB1,000,000	–	62.85	Information technology business
深圳市半島城邦物業管理有限公司 (note b)	PRC	RMB3,000,000	–	100	Property management
深圳市金益田實業發展有限公司 (note b)	PRC	RMB18,000,000	–	100	Property development
深圳南海益田置業有限公司 (note c)	PRC	RMB110,000,000	–	100	Investment holding and property development
廣州東鏡新城房地產有限公司 (note c)	PRC	US$42,000,000	–	100	Property development
廣東大地影院建設有限公司 (note b)	PRC	RMB233,330,000	–	100	Operation of digital cinemas
大地影院發展有限公司 (note b)	PRC	RMB150,000,000	–	100	Operation of digital cinemas

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17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company		Principal activities
			Directly	Indirectly	
大地時代電影文化傳播(北京)有限公司 (note b)	PRC	RMB40,000,000	–	100	Film distribution
大地晨星科技發展(北京)有限公司 (note b)	PRC	RMB1,000,000	–	100	Development of film equipments
大地時代廣告(北京)有限公司 (note b)	PRC	RMB1,000,000	–	100	Providing advertising services
哈票網絡科技(北京)有限公司 (note b)	PRC	RMB1,000,000	–	100	Internet ticketing

The above table lists out the subsidiaries of the Company as at 31 December 2010 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) This subsidiary is registered as joint stock limited company under the law of PRC.

(b) These subsidiaries are registered as limited liability company under the law of PRC.

(c) These subsidiaries are registered as Sino-foreign co-operative joint venture under the law of PRC.

(d) Accounted for as subsidiary of the Group because the directors are of the opinion that the Group has the power to cast the majority of vote at the meeting of board of directors in respect of financial and operating policies of the entity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

18. INTEREST IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Balance at 1 January	**34,811**	2,623
Share of net assets on acquisition of associates	**–**	31,549
Dissolution and deemed partial disposal of associates	**2,248**	–
Share of results of associates		
– Profit after income tax	**2,097**	639
Net exchange differences	**1,305**	–
Share of net assets	**40,461**	34,811
Goodwill	**68,341**	82,563
Balance at 31 December	**108,802**	117,374

Particulars of the associates at 31 December 2010 and 31 December 2009 are as follows:

Name	Country of incorporation/ establishment and operations	Particulars of issued capital/registered capital	Percentage of interest held by the Group		Nature of business
			2010	2009	
Genius Reward Company Limited*	Hong Kong	2 ordinary shares of HK$100 each	**31**	31	Inactive
廣東大地影院數字技術服務有限公司*	PRC	RMB12,000,000	**–**	20	Dissolved on 20 December 2010
Beijing Loongson Technology Service Co., Ltd*	PRC	RMB137,500,000	**20**	25	Development of central processing unit

* unlisted limited liability company

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for the year ended 31 December 2010

18. INTEREST IN ASSOCIATES (Continued)

The summarised financial information of the Group's associates extracted from their management accounts are as follows:

	2010 HK$'000	2009 HK$'000
Assets	**246,034**	181,502
Liabilities	**(52,985)**	(47,993)
Revenue	**54,112**	3,726
Profit for the year	**9,523**	1,767

The Group has discontinued recognition of its share of loss of an associate. The amount of unrecognised share of loss of the associate for the year and accumulated unrecognised share of loss of the associate amounted to HK$247,000 (2009: HK$247,000) and HK$2,909,000 (2009: HK$2,662,000) respectively.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2010 HK$'000	2009 HK$'000
Deposits and prepayments	**184,233**	543,169
Outstanding consideration receivable arising from the disposal of a subsidiary	**75,818**	72,913
Loan receivables	**109,118**	132,319
Others	**447,067**	389,328
	816,236	1,137,729
Less: Provision for impairment of receivables	**(24,777)**	(23,878)
	791,459	1,113,851
Less: Non-current portion:		
Long term rental deposits	**52,572**	18,104
Loan receivables	**109,118**	100,319
Deposits for purchase of intangible assets	**–**	142,199
Deposits for purchase of property, plant and equipment	**87,231**	14,939
	248,921	275,561
	542,538	838,290

The outstanding consideration receivable arising from the disposal of a subsidiary was unsecured, bore interest at the rate of 5% per annum and was originally repayable on 24 September 2009. On 25 September 2009, the Group entered into supplemental agreement to extend the loan, which bore interest at the rate of 5% per annum and was repayable on 24 September 2010. The repayment period of the receivable was further extended to 30 June 2011 after another supplemental agreement was signed on 25 September 2010.

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19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

As at 31 December 2009, the short term loan receivables were unsecured. Short term loan receivable of HK$10,000,000, which was matured in August 2010, bore interest at the rate of 15% per annum. The other short term loan receivables of HK$22,000,000, which was matured in September 2010, bore interest at the rate of 22.5% per annum. The Group had no short term loan receivable at 31 December 2010.

The long term loan receivable is unsecured, bears interest at the rate of 5% (2009: 4.54%) per annum and repayable in May 2012.

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in the provision for impairment of other receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At the beginning of the year	**23,878**	32,037
Provision for impairment	**173**	–
Amount written off as uncollectible	**–**	(8,233)
Exchange differences	**726**	74
At the end of the year	**24,777**	23,878

At each of the reporting dates, the Group's other receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain other receivables and appropriate provision for impairment has been made against these other receivables. The individually impaired receivables are recognised based on the credit history of these debtors, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances. Except for the amount impaired, none of the above assets is either past due or impaired.

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for the year ended 31 December 2010

20. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Development cost HK$'000	Goodwill HK$'000	Others* HK$'000	Total HK$'000
At 1 January 2009					
Gross carrying amount/Cost	143,062	19,912	531,738	1,080	695,792
Accumulated amortisation	(82,723)	(3,196)	–	–	(85,919)
Accumulated impairment	–	–	(306,800)	–	(306,800)
Net carrying amount	60,339	16,716	224,938	1,080	303,073
Year ended 31 December 2009					
Opening net carrying amount	60,339	16,716	224,938	1,080	303,073
Additions	34	20,925	–	–	20,959
Acquisition of subsidiaries (note 35(a))	–	–	15,400	378	15,778
Amortisation charge for the year	(29,089)	(3,520)	–	(13)	(32,622)
Exchange differences	104	142	192	–	438
Closing net carrying amount at 31 December 2009	31,388	34,263	240,530	1,445	307,626
At 31 December 2009 and 1 January 2010					
Gross carrying amount/Cost	143,652	41,007	547,330	1,458	733,447
Accumulated amortisation	(112,264)	(6,744)	–	(13)	(119,021)
Accumulated impairment	–	–	(306,800)	–	(306,800)
Net carrying amount	31,388	34,263	240,530	1,445	307,626
Year ended 31 December 2010					
Opening net carrying amount	**31,388**	**34,263**	**240,530**	**1,445**	**307,626**
Additions	**145,675**	**19,455**	**–**	**–**	**165,130**
Acquisition of subsidiaries (note 35(a))	**1,120**	**–**	**55,459**	**1,079**	**57,658**
Disposal and dissolution of subsidiaries (note 35(b))	**–**	**–**	**(6)**	**–**	**(6)**
Amortisation charge for the year	**(59,110)**	**(8,180)**	**–**	**(747)**	**(68,037)**
Write-off	**–**	**(214)**	**–**	**–**	**(214)**
Exchange differences	**3,086**	**1,438**	**3,423**	**19**	**7,966**
Closing net carrying amount at 31 December 2010	**122,159**	**46,762**	**299,406**	**1,796**	**470,123**
At 31 December 2010					
Gross carrying amount/Cost	**309,172**	**62,325**	**606,206**	**2,572**	**980,275**
Accumulated amortisation	**(187,013)**	**(15,563)**	**–**	**(776)**	**(203,352)**
Accumulated impairment	**–**	**–**	**(306,800)**	**–**	**(306,800)**
Net carrying amount	**122,159**	**46,762**	**299,406**	**1,796**	**470,123**

* Other intangible assets include customer relationship, trademark and masthead.

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for the year ended 31 December 2010

20. INTANGIBLE ASSETS (Continued)

For the purpose of the annual impairment test, the carrying amount of goodwill is allocated to the following cash-generating units ("CGU"):

	2010 **HK$'000**	2009 HK$'000
Property development	**143,111**	143,111
Corporate IT application services	**115,866**	82,100
Culture and media services – Cinema business	**25,111**	39
Culture and media services – Newspaper publishing	**15,318**	15,280
Net carrying amount at 31 December	**299,406**	240,530

The recoverable amounts for the CGU given above were determined based on value-in-use calculations, covering a detailed five-year financial budgets, cash flows for certain CGU were extrapolated for a further five-year period using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations for the year are as follows:

	Property development		**Corporate IT application services**		**Culture and media services – cinema business**		**Culture and media services – newspaper publishing**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Discount rates	**6.1%**	5.94%	**4.80%**	6.90%	**6.1%**	15.03%	**10.57%**	19.60%
Growth rates used to extrapolate cashflows beyond the budgeted period	**N/A**	N/A	**N/A**	3%	**N/A**	N/A	**2%**	N/A

The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development.

The growth rate used for each of the above CGU is determined by reference to the average growth rate for the corresponding industry to which the CGU belongs.

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20. INTANGIBLE ASSETS (Continued)

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2010 and 31 December 2009, goodwill arising from acquisition of subsidiaries stated in note 35(a), which are engaged in information technology business and culture and media services, is attributable to the expanding corporate IT applications services and the capture of growing cinema business opportunities.

Apart from the considerations described in determining the value-in-use calculation of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

21. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Property development:		
Properties under development	**6,820,629**	6,063,902
Completed properties held for sale	**571,334**	850,208
Other operations:		
Confectionery	**2,719**	2,105
	7,394,682	6,916,215

All the above inventories are stated at cost.

The amount of properties under development expected to be recovered after more than one year is HK$6,820,629,000 (2009: HK$6,063,902,000). All of the other inventories are expected to be recovered within one year.

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**999**	3,198
Listed equity securities in PRC, at fair value	**133,881**	254,142
Listed debt securities overseas, at fair value	**–**	125,358
Unlisted debt securities, at fair value	**77,626**	31,333
	212,506	414,031
Market value of listed equity securities	**134,880**	257,340
Market value of listed debt securities	**–**	125,358
Unlisted debt securities, at fair value	**77,626**	31,333
	212,506	414,031

The above financial assets at fair value through profit or loss are classified as held for trading. The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the Group's investments in unlisted debt securities has been determined by reference to their quoted prices readily available from the brokers at the reporting date.

Changes in fair values of the financial assets at fair value through profit or loss are recorded in other income/other operating expenses in the profit or loss.

23. TRADE RECEIVABLES

Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0-90 days	**72,500**	118,121
91-180 days	**4,755**	2,381
181-270 days	**68,587**	1,339
271-360 days	**882**	1,194
Over 360 days	**2,717**	25,918
Trade receivables, gross	**149,441**	148,953
Less: Provision for impairment of receivables	**(11,594)**	(10,898)
Trade receivables, net	**137,847**	138,055

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23. TRADE RECEIVABLES (Continued)

Trade receivables are due on presentation of invoices.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2010 **HK$'000**	2009 HK$'000
At the beginning of the year	**10,898**	15,053
Provision for impairment	**340**	1,938
Amounts written off as uncollectible	**–**	(6,133)
Exchange differences	**356**	40
At the end of the year	**11,594**	10,898

At each of the reporting dates, the Group's trade receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment has been made against certain trade receivables. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	2010 **HK$'000**	2009 HK$'000
0-90 days past due	**72,500**	118,121
91-180 days past due	**4,755**	2,343
181-270 days past due	**58,576**	1,221
271-360 days past due	**882**	1,086
Overdue for more than 360 days	**1,134**	15,284
	137,847	138,055

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

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24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**434,851**	730,875	**16,197**	17,285
Less: Pledged bank deposits presented as non-current assets	**–**	(118,254)	**–**	–
Less: Pledged bank deposits presented as current assets and excluded from cash and cash equivalents	**(37,446)**	(2,280)	**–**	–
Cash and cash equivalents as stated in the statement of financial position	**397,405**	610,341	**16,197**	17,285

Included in bank and cash balance of the Group is an aggregate amount of approximately HK$340,783,000 (2009: HK$416,229,000), which represented Renminbi ("RMB") deposits placed with banks in Mainland China.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks which are authorised to conduct foreign exchange business.

Pledged deposits earn interest at floating rates based on daily bank deposit rates (2009: fixed rate of 0.12% to 0.36% per annum). They have been pledged to secure borrowings (note 40).

25. TRADE PAYABLES

Based on invoice dates, the aging analysis of the trade payables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0-90 days	**49,722**	307,104
91-180 days	**12,069**	4,695
181-270 days	**6,303**	35,337
271-360 days	**249,847**	239
Over 360 days	**27,534**	28,341
	345,475	375,716

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of fair value.

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26. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals of the Group as at 31 December 2010 is HK$21,415,000 (2009: HK$25,431,000) in respect of deferred government grants mainly related to the Group's design, research and development of new products of the Group which contributes positively to the local industry environment. The government grant must be utilised for the development of products specified and be recognised upon conditions fulfilled.

27. LOAN FROM/AMOUNT(S) DUE FROM/(TO) A DIRECTOR/A MINORITY SHAREHOLDER/SHAREHOLDERS/SUBSIDIARIES/ASSOCIATES

(a) Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

(b) Amounts due to shareholders – current liabilities

The amounts due to shareholders are unsecured, interest-free and repayable on demand.

(c) Amount due to a minority shareholder

At 31 December 2010, the amount due is unsecured and represents the liability component of the convertible preferred stocks issued by a subsidiary, CMN, and the dividend in arrears on these convertible preferred stock; with initial recognised amounts of HK$328,000 (2009: HK$297,000) and HK$167,000 (2009: HK$78,000), respectively, and the amounts are stated at amortised cost calculated using an effective interest rate of 19.64% subsequent to the date of acquisition of CMN.

(d) Amounts due from/(to) associates

The amounts due from/(to) associates are unsecured, interest-free and repayable on demand.

(e) Amounts due to shareholders – non-current liabilities

The amounts due to shareholders were unsecured, interest-free and fall due on 60 months from 30 August 2005. The amounts due to shareholders were initially recognised at fair value of HK$336,110,000 and the amounts were stated at amortised cost calculating using an effective interest rate of 9.05%.

Pursuant to an agreement dated 21 October 2009 among certain shareholders and the Company, the shareholders agreed to accept a discounted amount in one-off payment from the Company as full settlement for the amounts due to these shareholders, which were initially recognised at fair value of HK$336,110,000, prior to the maturity date of 30 August 2010. The amounts due to shareholders were fully repaid on 24 November 2009 and the difference between the amortised cost of amounts due to shareholders extinguished of HK$464,950,000 and the consideration paid of HK$413,805,000 were recorded as gain on early repayment of amounts due to shareholders in profit or loss.

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27. LOAN FROM/AMOUNT(S) DUE FROM/(TO) A DIRECTOR/A MINORITY SHAREHOLDER/SHAREHOLDERS/SUBSIDIARIES/ASSOCIATES (Continued)

(f) Amounts due from subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Amounts due from subsidiaries	**5,782,943**	5,809,186
Less: Allowances for amounts due from subsidiaries	**(54,290)**	(25,967)
	5,728,653	5,783,219

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

(g) Amounts due to subsidiaries

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

(h) Loan from subsidiaries

On 29 May 2009, the Company entered into loan agreement with certain subsidiaries to advance a loan with principal of HK$1,645,530,000 which bore interest at 6% per annum, and would be repayable on or before 29 June 2011 and secured by share mortgage of a subsidiary.

As at 31 December 2010 and 31 December 2009, included in the outstanding balance of approximately HK$1,499,588,000 was interest bearing at 6% per annum and the remaining balance was interest-free, would be repayable on or before 29 June 2011 and secured by share mortgage of a subsidiary.

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28. BANK BORROWINGS

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
Bank loans, secured	(a)	**1,075,615**	913,321

At 31 December 2010, the bank borrowings of the Group were repayable as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Within one year	**280,137**	473,364
In the second year	**462,262**	432,057
In the third to fifth years	**333,216**	7,900
Wholly repayable within five years	**1,075,615**	913,321
Less: Portion due within one year under current liabilities	**(280,137)**	(473,364)
Portion due over one year under non-current liabilities	**795,478**	439,957

(a) At 31 December 2010, bank loans amounted to HK$639,190,000 (2009: HK$913,321,000) carry interest at floating rates ranging from 4.86% to 6.39% per annum (2009: 4.86% to 6.34% per annum). The remaining balances carry interest at fixed rates ranging from 5.4% to 5.84% per annum (2009: Nil). The carrying amounts of bank loans approximate their fair values.

(b) The carrying amounts of the borrowings are denominated in the following currencies:

	Group	
	2010 HK$'000	2009 HK$'000
RMB	**1,075,615**	913,321

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29. FINANCE LEASE LIABILITIES

(a) Total minimum lease payments is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year	**18**	18	**18**	18
Due in the second to fifth years	**40**	58	**40**	58
	58	76	**58**	76
Future finance charges on finance leases	**(8)**	(11)	**(8)**	(11)
Present value of finance lease liabilities	**50**	65	**50**	65

(b) The present value of finance lease liabilities is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year under current liabilities	**16**	16	**16**	16
Due in the second to fifth years under non-current liabilities	**34**	49	**34**	49
	50	65	**50**	65

The Group has entered into finance leases for item of office equipment (2009: office equipment) with remaining lease terms of three years (2009: four years). Interest rate under the leases is fixed at 3.46% (2009: 3.46%) per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amount of the finance lease liabilities are denominated in Hong Kong dollars and approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCE FROM THIRD PARTIES

The finance from third parties of HK$391,540,000 and HK$2,442,693,000 (2009: HK$387,112,000 and HK$2,271,070,000) matured/will mature on 16 January 2011 and 22 July 2011 (2009: 16 January 2011 and 22 July 2011), respectively. Finance costs of which are calculated at an effective rate of return of 15% and 16% per annum (2009: 15% and 16% per annum), respectively.

These finances from third parties are secured by share mortgage and assignment of shareholders' loan of three wholly-owned subsidiaries of the Company, by corporate guarantee given by the Company and personal guarantee given by a director. The finance costs payable to these third parties would be equal to an annualised internal rate of return of 13% and 15% (2009: 13% and 15%), respectively for the period from the drawdown date to the maturity date.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Temporary differences attributable to accelerated depreciation allowances HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2009	790	225,667	226,457
Disposal of subsidiaries (note 35(b))	(790)	–	(790)
Exchange differences	–	875	875
At 31 December 2009 and 1 January 2010	**–**	**226,542**	**226,542**
Exchange differences	**–**	**7,862**	**7,862**
Gross deferred tax liabilities at 31 December 2010	**–**	**234,404**	**234,404**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

31. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Loss available for offset against future taxable profits HK$'000	Provision of PRC land appreciation tax HK$'000	Total HK$'000
At 1 January 2009	7,990	–	7,990
Deferred tax (charged)/credited to the income statement (note 9)	(7,985)	33,221	25,236
Exchange differences	(5)	148	143
At 31 December 2009 and 1 January 2010	**–**	**33,369**	**33,369**
Deferred tax credited to the income statement (note 9)	**–**	**27,678**	**27,678**
Exchange differences	**–**	**1,784**	**1,784**
Gross deferred tax assets at 31 December 2010	**–**	**62,831**	**62,831**

At 31 December 2010, the amount of unused tax losses for which no deferred tax assets is recognised in the consolidated statement of financial position is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Temporary differences attributable to:		
– unused tax losses	**538,812**	448,727

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China amounted to HK$419,013,000 (2009: HK$338,694,000) can be carried forward for five years while tax losses of the subsidiaries operating in Hong Kong amounted to HK$56,115,000 (2009: HK$60,421,000) can be carried forward indefinitely under the current tax legislation. The tax losses of the subsidiaries operating in US amounted to HK$63,684,000 (2009: HK$49,612,000) will be expired between 2026 to 2030.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

32. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	HK$'000
Authorised:		
At 1 January 2009, 31 December 2009 and **31 December 2010**	500,000,000,000	5,000,000
Issued and fully paid:		
At 1 January 2009, 31 December 2009 and 1 January 2010	68,645,035,794	686,450
Issue of ordinary shares upon exercise of share options	500,000	5
At 31 December 2010	**68,645,535,794**	**686,455**

33. SHARE OPTION SCHEME

Company

The Company operates a share option scheme.

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

On 18 January 2007, share options to subscribe for a total of 157,000,000 shares, representing approximately 0.52% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Group at an exercise price of HK$0.0714 per share.

On 20 April 2009, another share options to subscribe for a total of 185,200,000 shares, representing approximately 0.62% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors, employees of the Group and those who have contributions to the Group at an exercise price of HK$0.0702 per share.

The share options vest upon the commencement of the exercise period, which is determined by the Board at the date of grant and then exercisable within a period of one to two years or determined by the Board. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

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33. SHARE OPTION SCHEME (Continued)

Company (Continued)

The movements of the Company's share options during the year are as follows:

	2010		2009	
		Weighted average exercise price per share		Weighted average exercise price per share
	Number	**HK$**	Number	HK$
Outstanding at 1 January	**182,200,000**	**0.0702**	92,950,000	0.0714
Granted during the year	**–**	**–**	185,200,000	0.0702
Exercised during the year	**(500,000)**	**0.0702**	–	–
Expired during the year	**–**	**–**	(92,950,000)	0.0714
Forfeited during the year	**(17,700,000)**	**0.0702**	(3,000,000)	0.0702
Outstanding at 31 December	**164,000,000**	**0.0702**	182,200,000	0.0702
Exercisable at 31 December	**80,150,000**	**0.0702**	–	–

All share options as at 31 December 2010 and 2009 have been accounted for under HKFRS 2 Share-based payment. The exercisable periods of the share options of the Company are as follows:

	2010		2009	
		Weighted average exercise price per share		Weighted average exercise price per share
	Number	**HK$**	Number	HK$
Exercisable period:				
1-1-2010 to 31-12-2011	**80,150,000**	**0.0702**	89,250,000	0.0702
1-1-2011 to 31-12-2011	**83,850,000**	**0.0702**	92,950,000	0.0702
	164,000,000	**0.0702**	182,200,000	0.0702

The Company's share options outstanding at 31 December 2010 had a weighted average remaining contractual life of one year (2009: two years).

The fair values of options granted during 2009 of HK$5,552,000 were determined by an independent third party valuer using the Binomial Model, with modification to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

33. SHARE OPTION SCHEME (Continued)

Company (Continued)

Key assumptions used in the valuation of the options granted on 20 April 2009 include: (i) an expected dividend yield of 0% per annum, (ii) volatility of share price of 82% per annum determined based on the historical volatility of the Company's share prices in the past two years immediately before the date of grant of the share options, (iii) a risk free rate of interest of 1.07% per annum and (iv) that the directors, employees and other participant will exercise their share options if the share price is above the exercise price by 2 times, 1.5 times and 2 times respectively.

At 31 December 2010, the Company had 164,000,000 (2009: 182,200,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 164,000,000 (2009: 182,200,000) additional ordinary shares of the Company and additional share capital of approximately HK$1,640,000 (2009: HK$1,822,000) and share premium of approximately HK$9,873,000 (2009: HK$10,968,000) (before issue expenses).

In total, employee compensation expense of HK$1,754,000 has been included in the consolidated income statement for 2010 (2009: HK$3,752,000), in relation to share options granted by the Company, which gave rise to additional equity. No liabilities were recognised due to share–based payment transactions.

The Subsidiary

A subsidiary of the Company, Sino-i Technology Limited (the "Subsidiary") also operates a share option scheme (the "Subsidiary's Scheme"), which was adopted on 29 August 2002. Under the Subsidiary's Scheme, share options may be granted to directors, employees of the Subsidiary and those who have contributed or will contribute to the Subsidiary at any time within ten years after its adoption at the discretion of the Subsidiary's Board.

On 12 November 2004, share options to subscribe for a total of 233,360,000 shares of the Subsidiary, representing approximately 1.68% of the issued share capital of the Subsidiary as at the date of the adoption of the Subsidiary's Scheme, were granted to the directors and employees of the Subsidiary and the persons who have provided research, development or other technological support or services to the Subsidiary at an exercise price of HK$0.16 per share.

The share options vest upon the commencement of the exercise period, which is determined by the Subsidiary's directors at the date of grant.

At 31 December 2009, all share options of Subsidiary were expired. No additional options were granted during the years ended 31 December 2010 and 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

34. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 41 and 42 of the financial statements.

Notes:

(a) Capital reserve of the Group mainly represented the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002 and the amount previously recognised in share option reserve arising from the exercise of share options.

(b) General reserve of the Group includes capital reserve arising from acquisitions of subsidiaries in prior years and statutory reserves. Subsidiaries of the Company established in Mainland China are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve until the reserve reaches 50% of their respective capital upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(c) For the year end 31 December 2010, transfer to the non-controlling interest relating to the Group's acquisition of further 37.15% interest in two existing subsidiaries is analysed below:

	Group	
	2010	2009
	HK$'000	HK$'000
Transfer to the non–controlling interest:		
Share capital	**–**	–
Accumulated losses	**162**	–
Net transfer to the non–controlling interest	**162**	–

Company

	Share premium HK$'000	Contributed surplus (note a) HK$'000	Capital reserve (note b) HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	965,881	1,971,857	7,467	2,120	(371,707)	2,575,618
Equity-settled share-based compensation expenses	–	–	–	3,752	–	3,752
Released on forfeiture of share options	–	–	–	(2,180)	2,180	–
Loss for the year	–	–	–	–	(108,846)	(108,846)
At 31 December 2009 and 1 January 2010	**965,881**	**1,971,857**	**7,467**	**3,692**	**(478,373)**	**2,470,524**
Issue of ordinary shares upon exercise of share options	**30**	**–**	**13**	**(13)**	**–**	**30**
Equity-settled share-based compensation expenses	**–**	**–**	**–**	**1,754**	**–**	**1,754**
Released on expiry/forfeiture of share options	**–**	**–**	**–**	**(506)**	**506**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**(108,740)**	**(108,740)**
At 31 December 2010	**965,911**	**1,971,857**	**7,480**	**4,927**	**(586,607)**	**2,363,568**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

34. RESERVES (Continued)

Company (Continued)

Notes:

(a) Contributed surplus of the Company includes the difference between the aggregate net asset value of the subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition and the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002. Under the Bermuda Companies Act, the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Capital reserve of the Company represents the amount of equity-settled share-based compensation previously recognised transferred from the share options reserve when the share options are exercised.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Business combination – acquisition of subsidiaries

During the year, the Group acquired several subsidiaries at a total consideration of HK$4,516,000 with total property, plant and equipment acquired of HK$1,093,000, total intangible assets excluding goodwill acquired of HK$2,199,000 and total net cash inflow of HK$1,096,000. Goodwill of total HK$55,459,000 was generated in these business combination and details are as follows:

(i) In January 2010, the Group acquired 100% equity interest in a subsidiary, 北京中企動力廣告有限公司, which engaged in corporate IT application services, for a consideration of RMB1,000,000.

Details of the assets and liabilities acquired and the corresponding goodwill are as follows:

	HK$'000
Cash consideration	**1,142**
Fair value of net liabilities assumed	**29,954**
Goodwill	**31,096**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

The assets and liabilities arising from the acquisitions are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	**4**	**5**
Other intangible assets	**1,796**	**1,120**
Available–for–sale financial assets	**144**	**1,941**
Deposits, prepayments and other receivables	**23,400**	**23,400**
Cash and cash equivalents	**408**	**408**
Accruals and other payables	**(55,706)**	**(55,706)**
Net liabilities assumed	**(29,954)**	**(28,832)**

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$31,096,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition are as follows :

	HK$'000
Purchase consideration	
– Cash consideration	**1,142**
– Consideration payables	**(1,142)**
Settled in cash	**–**
Cash and cash equivalents in subsidiary acquired	**(408)**
Cash inflow on acquisition	**(408)**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

Since the acquisition, the subsidiaries in aggregate contributed HK$13,305,000 to the Group's turnover and a loss of HK$204,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition is not material to the Group and pro forma information as if the acquisition had been taken place at the beginning of the year is not presented.

The acquisition-related costs have been expensed and are included in administrative expenses.

(ii) In June 2010, the Group acquired 100% equity interest in a subsidiary, 大地時代電影文化傳播(北京)有限公司 which held 100% equity interest of 大地晨星科技發展(北京)有限公司 and 100% equity interest of 大地時代廣告(北京)有限公司, which engaged in distributing film, producing digital filming equipment and advertising, for a consideration of RMB1,000,000.

Details of the assets and liabilities acquired and the corresponding goodwill are as follows:

	HK$'000
Cash consideration	1,142
Fair value of net liabilities assumed	13,013
Goodwill	14,155

The assets and liabilities arising from the acquisitions are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	129	146
Other intangible assets	203	–
Trade receivables	6	6
Deposits, prepayments and other receivables	15,007	15,173
Cash and cash equivalents	567	567
Trade payables	(138)	(138)
Accruals and other payables	(28,787)	(28,787)
Net liabilities assumed	(13,013)	(13,033)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$14,155,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition are as follows :

	HK$'000
Purchase consideration	
– Cash consideration	**1,142**
– Consideration payables	**(1,142)**
Settled in cash	**–**
Cash and cash equivalents in subsidiaries acquired	**(567)**
Cash inflow on acquisition	**(567)**

Since the acquisition, the subsidiaries in aggregate contributed HK$1,619,000 to the Group's turnover and a loss of HK$11,056,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition is not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year is not presented.

The acquisition–related costs have been expensed and are included in administrative expenses.

(iii) In June 2010, the Group acquired 100% equity interest in a subsidiary, 靠譜網絡科技(北京)有限公司, for a consideration of RMB1,000,000.

Details of the assets and liabilities acquired and the corresponding goodwill are as follows:

	HK$'000
Cash consideration	**1,145**
Fair value of net liabilities assumed	**335**
Goodwill	**1,480**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

The assets and liabilities arising from the acquisitions are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	**29**	**34**
Deposits, prepayments and other receivables	**15**	**15**
Cash and cash equivalents	**75**	**75**
Trade payables	**(2)**	**(2)**
Accruals and other payables	**(452)**	**(453)**
Net liabilities assumed	**(335)**	**(331)**

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$1,480,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition are as follows:

	HK$'000
Purchase consideration	
– Cash consideration	**1,145**
– Consideration payables	**(1,145)**
Settled in cash	**–**
Cash and cash equivalents in subsidiary acquired	**(75)**
Cash inflow on acquisition	**(75)**

Since the acquisition, the subsidiary contributed HK$Nil to the Group's turnover and a loss of HK$579,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition is not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year is not presented.

The acquisition–related costs have been expensed and are included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

(iv) In June 2010, the Group acquired 100% equity interest in a subsidiary, 哈票網絡科技(北京)有限公司, which engaged in internet ticketing, for a consideration of RMB800,000.

Details of the assets and liabilities acquired and the corresponding goodwill are as follows:

	HK$'000
Cash consideration	**987**
Fair value of net liabilities assumed	**7,641**
Goodwill	**8,628**

The assets and liabilities arising from the acquisitions are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	**931**	**921**
Other intangible assets	**200**	**–**
Trade receivables	**1,117**	**1,117**
Deposits, prepayments and other receivables	**8,557**	**8,557**
Cash and cash equivalents	**146**	**146**
Trade payables	**(285)**	**(285)**
Accruals and other payables	**(18,307)**	**(18,307)**
Net liabilities assumed	**(7,641)**	**(7,851)**

None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of HK$8,628,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition are as follows :

	HK$'000
Purchase consideration	
– Cash consideration	**987**
– Consideration payables	**(987)**
Settled in cash	**–**
Cash and cash equivalents in subsidiaries acquired	**(146)**
Cash inflow on acquisition	**(146)**

Since the acquisition, the subsidiary contributed HK$110,000 to the Group's turnover and a loss of HK$4,060,000 to the consolidated loss for the year ended 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

The acquisition is not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year is not presented.

The acquisition–related costs have been expensed and are included in administrative expenses.

(v) In August 2010, the Group acquired 100% equity interest in a subsidiary, Savvy Armslength Media Limited, which engaged in advertising business, for a consideration of HK$100,000.

Details of the assets and liabilities acquired and the corresponding goodwill are as follows:

	HK$'000
Cash consideration	**100**
Fair value of net liabilities assumed	**–**
Goodwill	**100**

The goodwill of HK$100,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition are as follows :

	HK$'000
Purchase consideration	
– Cash consideration	**100**
Settled in cash	**100**
Cash and cash equivalents in subsidiary acquired	**–**
Cash outflow on acquisition	**100**

Since the acquisition, the subsidiary contributed HK$Nil to the Group's turnover and consolidated loss for the year ended 31 December 2010.

The acquisition is not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year is not presented.

The acquisition–related costs have been expensed and are included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

(vi) In January and July 2009, the Group, through its subsidiaries, entered into sales and purchases agreements to acquire 100% and 53.06% equity interest in subsidiaries, 北京紅旗貳仟軟件技術有限公司 and CMN, for consideration of RMB10,000,000 and USD423,000, respectively.

Details of the assets and liabilities acquired and the corresponding goodwill were as follows:

	2009 HK$'000
Cash consideration	14,636
Fair value of net liabilities assumed	764
Goodwill (note 20)	15,400

The assets and liabilities arising from the acquisitions were as follows:

	2009	
	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	300	300
Intangible assets	378	378
Trade receivables	3,648	3,648
Deposits, prepayments and other receivables	23,788	23,788
Financial assets at fair value through profit or loss	1,550	1,550
Amount due from an associate	–	–
Cash and cash equivalents	3,530	3,530
Accruals and other payables	(17,730)	(38,601)
Tax payables	(3)	(3)
Convertible preferred stock – liabilities component	(16,225)	(16,225)
Net liabilities assumed	(764)	(21,635)

The goodwill was attributable to the future profitability of the above subsidiaries acquired and the significant synergies expected to arise after the Group's acquisition.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Business combination – acquisition of subsidiaries (Continued)

The net cash inflow arising from the acquisition are as follows:

	2009 HK$'000
Purchase consideration	
– Cash consideration	14,636
– Offset with other receivables	(11,242)
– Consideration payables	(114)
Settled in cash	3,280
Cash and cash equivalents in subsidiary acquired	(3,530)
Cash inflow on acquisition	(250)

Since the acquisition, the subsidiaries in aggregate contributed HK$6,721,000 to the Group's turnover and a loss of HK$8,186,000 to the consolidated profit for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$4,022,000,000 and HK$137,078,000, respectively.

(b) Disposal and dissolution of subsidiaries

	2010 HK$'000	2009 HK$'000
Net assets disposed of:		
Property, plant and equipment	**–**	39
Goodwill	**6**	–
Inventories	**–**	13
Trade receivables	**–**	6
Deposits, prepayments and other receivables	**51**	1,080
Cash and cash equivalents	**–**	97
Minority interests	**–**	(9,034)
Trade payables	**–**	(2,152)
Other payables and accruals	**–**	(5,140)
Dividend payable	**–**	(12,000)
Tax payable	**–**	(93)
Deferred tax	**–**	(790)
Bank borrowings	**–**	(270)
Amounts due to group companies	**1**	–
	58	(28,244)
Exchange reserve released on disposal and dissolution	**–**	(1,384)
Capital reserve released on disposal and dissolution	**–**	(22,296)
General reserve released on disposal	**–**	(4,246)
(Loss)/Gain on disposal and dissolution of subsidiaries	**(58)**	56,170
	–	–
Satisfied by:		
Cash received	**–**	–
Consideration receivable	**–**	–
	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Disposal and dissolution of subsidiaries (Continued)

The analysis of the net cash outflow of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries is as follows:

	2010 HK$'000	2009 HK$'000
Cash received	**–**	–
Cash and cash equivalents disposed of	**–**	(97)
Net cash outflow on disposal	**–**	(97)

(c) Major non-cash transactions

During the year ended 31 December 2009, the Group had the following major non-cash transactions:

(i) the trade and other receivables of HK$206,194,000 was offset against the amount due to a director in accordance with the debts assignments signed among these parties; and

(ii) the repayment of the amounts due to shareholders of HK$413,805,000 was taken up by a director in accordance with the debts assignment signed amongst these parties.

36. RETIREMENT BENEFIT PLANS

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$83,031,000 (2009: HK$69,139,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

Contributions payable of HK$25,000 as at 31 December 2010 (2009: HK$27,000) to the MPF Scheme are included in other payables.

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37. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

Group

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2010					
Executive directors					
CHEN Dan	–	827	69	66	962
LIU Rong	–	717	69	64	850
WANG Gang	–	867	–	63	930
YU Pun Hoi	–	360	–	18	378
Non-executive directors					
LAM Bing Kwan	–	–	30	–	30
QIN Tian Xiang	240	–	–	–	240
Independent non-executive directors					
HUANG Yaowen	274	–	–	–	274
Prof. JIANG Ping	343	–	–	–	343
LAU Yip Leung	120	–	–	–	120
	977	2,771	168	211	4,127

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for the year ended 31 December 2010

37. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2009					
Executive directors					
CHEN Dan	–	818	156	62	1,036
LIU Rong *	–	572	156	50	778
WANG Gang *	–	692	–	60	752
YU Pun Hoi	–	2,680	–	14	2,694
Non-executive directors					
LAM Bing Kwan	–	244	67	10	321
QIN Tian Xiang **	133	329	–	3	465
Independent non-executive directors					
HUANG Yaowen	317	–	–	–	317
Prof. JIANG Ping	408	–	–	–	408
LAU Yip Leung	120	–	–	–	120
	978	5,335	379	199	6,891

* Appointed as executive directors with effect from 10 March 2009.

** Re-designated as non-executive director with effect from 12 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

37. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included two (2009: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2009: three) employees are as follows:

	2010	2009
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**3,168**	3,374
Pension contributions	**12**	12
	3,180	3,386

The emoluments of the five highest paid individuals, other than directors, fell within the following bands:

Emolument band	**Number of highest paid individuals**	
	2010	2009
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**2**	3
	3	3

During the years ended 31 December 2010 and 31 December 2009, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2010 and 31 December 2009.

38. COMMITMENTS AND OPERATING LEASES

(a) Capital commitments

At 31 December 2010, the Group had outstanding commitments as follows:

	2010	2009
	HK$'000	HK$'000
Contracted but not provided for in respect of:		
– construction in progress	**144,452**	177,358
– property, plant and equipment	**240,307**	65,237
	384,759	242,595

At 31 December 2010 and 31 December 2009, the Company did not have any significant capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

38. COMMITMENTS AND OPERATING LEASES (Continued)

(b) Operating lease arrangement

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

	Land and buildings	
	2010	2009
	HK$'000	HK$'000
Within one year	**170,266**	79,700
In the second to fifth years	**640,548**	231,984
Over five years	**1,925,315**	644,523
	2,736,129	956,207

The Group leases a number of properties under operating leases. The leases run for an initial period of one to thirty years (2009: one to twenty years), with options to renew the lease terms at the expiry dates or at days as mutually agreed between the Group and the respective landlords. None of these leases includes any contingent rentals.

At 31 December 2010, the Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	Land and buildings	
	2010	2009
	HK$'000	HK$'000
Within one year	**–**	3,800
In the second to fifth years	**–**	4,750
	–	8,550

As at 31 December 2009, the Group leased its investment property (note 14) under operating lease arrangements which ran for an initial period of three years, with options to renew the lease terms at the expiry dates or at days as mutually agreed between certain companies within the Group and the respective tenants. No specific terms of the lease required the tenants to pay security deposits.

At 31 December 2010 and 31 December 2009, the Company had no operating lease commitments as lessor or lessee.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

39. CONTINGENT LIABILITIES

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**3,011,162**	3,540,803
Associates (Note)	**13,982**	13,197	**–**	–
Third parties (Note)	**65,531**	65,370	**–**	–
	79,513	78,567	**3,011,162**	3,540,803

Note:

In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"). The loan was secured by guarantee executed by Sino-i ("EPCIB Guarantee"), a listed subsidiary of the Company, and by share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as mentioned in note 41(a), the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.

In addition to the EPCIB Guarantee, Sino-i executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China ("ICBC") in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. is now controlled by a third party. The Group does not have updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"), therefore, the fair value of the guarantee for ICBC Indebtedness cannot be ascertained.

40. CREDIT FACILITIES

As at 31 December 2010 and 31 December 2009, the Group's credit facilities were secured by the following:

(a) charge over interest in leasehold land (note 15) with a net carrying value of HK$Nil (2009: approximately HK$23,990,000);

(b) charge over buildings with a net carrying value of HK$Nil (2009: approximately HK$18,435,000);

(c) charge over certain properties held for and under development for sale with carrying value of HK$1,495,192,000 (2009: HK$537,757,000);

(d) personal guarantee given by a director;

(e) charge over securities accounts with a net carrying value of HK$999,000 (2009: HK$3,198,000);

(f) pledge of 962,999,000 (2009: 962,999,000) shares in Sino-i held by the Company indirectly in favour of certain securities brokers, the total of which represents approximately 7.69% (2009: 7.69%) of total interest of the Company in Sino-i. The market value of such listed shares as at 31 December 2010 was approximately HK$51,039,000 (2009: HK$50,076,000);

(g) pledge of certain debt securities for a standby letter of credit issued by a financial institution for a maximum amount not exceeding US$12,625,000 (2009: US$25,000,000); and

(h) pledge of certain bank deposits of approximately HK$37,446,000 (2009: HK$120,534,000) (note 24).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

41. PENDING LITIGATIONS

(a) In respect of the purported sale of certain shares ("Philippines Shares") in Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."), which were mortgaged by Acesite Limited ("Acesite"), by Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"), a Filipino bank, to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of Sino-i; Evallon Investment Limited ("Evallon"), a wholly-owned subsidiary of Sino-i; Mr. Yu, the chairman and executive director of both the Company and Sino-i and, South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against EPCIB and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement subsequently reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006. In May 2007, Acesite Phils. filed a claim against Mr. Yu; Mr. Lam Bing Kwan, a non-executive director of both the Company and Sino-i; Sino-i; and Acesite for damages; further or other relief; interest and costs and etc. under High Court Number of HCA498 of 2007. The defendants in both cases have filed their defences respectively to the Court. These two cases are still in progress and no date has been fixed for trial.

(b) Dadi Media, a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited, a subsidiary of Sino-i, for the sum of HK$27,750,498 together with interest thereon and costs in May 2004 under the High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media, for (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs under High Court Number HCA2892 of 2004. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

(c) In May 2007, a company incorporated in China, namely 深圳市益田房地產集團股份有限公司 (Shenzhen Yitian Real Estate Group Company Limited) ("Yitian") issued a pleading to 深圳市金益田實業發展有限公司 (Shenzhen City Jingyitian Industrial Development Company Limited) ("Jingyitian"), a wholly-owned subsidiary of the Company, requesting for the court's judgment including (i) nullity of a letter of undertaking entered into between Yitian and Jingyitian, dated 2 September 1999; and (ii) refund of HK$41 million together with interest to Jingyitian, which was the total consideration fully paid by Jingyitian to Yitian under the letter of undertaking for assigning all rights and interests Yitian had in two pieces of land sites bearing numbers of K708-2 and K708-3 which subsequently became part of the total area for the development of a large-scale property project namely "The Peninsula" in Shekou, Shenzhen, and for surrendering its rights in property development in the above mentioned land sites and in sharing of any profits to be derived therefrom. Jingyitian has subsequently filed its defence to the court.

In January 2009, Liu Wan Development (BVI) Company Limited ("LWD"), Liu Wan Investment Company Limited ("LWI") and 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian") received a pleading from Yitian. Yitian alleged that it was rejected to participate to the development of the second phase of "The Peninsula" subsequent to the completion of cooperation in development of the first phase, and claimed for damages of RMB396,356,182 resulting from the alleged breach of a cooperation agreement. LWD and LWI directly and indirectly hold 100% of Nanhai Yitian, and LWD and LWI are the wholly-owned subsidiaries of the Company. LWD, LWI and Nanhai Yitian have subsequently filed their defences to the court. In early February 2010, LWD, LWI and Nanhai Yitian received summons from High People's Court of Guangdong Province for cross examination of evidences between the plaintiff and defendants on 26 February 2010, and received another summons for trial on 10 March 2010. Upon the presentation of lawyers acting for the plaintiff and defendants respectively in the first trial, no further hearing has been fixed by the court.

The directors, after discussion with legal advisers, considered that it would not incur a material outflow of resources as a result of the above matters.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

42. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 37.

Except as disclosed elsewhere in these financial statements, there was no material related party transaction carried out during the year.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by mininising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Board from time to time identifies ways to access financial markets and monitors the Group's financial risk exposures.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2010	2009	**2010**	2009
	HK'000	HK$'000	**HK'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**473**	324	**–**	–
Financial assets at fair value through profit or loss	**212,506**	414,031	**–**	–
Loans and receivables:				
– Trade receivables	**137,847**	138,055	**–**	–
– Other receivables	**669,924**	592,858	**126**	1,259
– Amounts due from subsidiaries	**–**	–	**5,728,653**	5,783,219
– Pledged bank deposits	**37,446**	120,534	**–**	–
– Amount due from an associate	**5,153**	4,828	**–**	–
Cash and cash equivalents	**397,405**	610,341	**16,197**	17,285
	1,460,754	1,880,971	**5,744,976**	5,801,763
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade payables	**345,475**	375,716	**–**	–
– Other payables and accruals	**584,811**	626,706	**8,155**	5,882
– Amount due to a director	**107,046**	147,184	**71,387**	105,520
– Amounts due to subsidiaries	**–**	–	**982,504**	989,621
– Loan from subsidiaries	**–**	–	**1,634,551**	1,544,576
– Amounts due to shareholders	**5,006**	5,006	**–**	–
– Amount due to a minority shareholder	**495**	406	**–**	–
– Amounts due to associates	**5,505**	19,156	**–**	–
– Bank borrowings	**1,075,615**	913,321	**–**	–
– Finance lease liabilities	**50**	65	**50**	65
– Finance from third parties	**2,834,233**	2,658,182	**–**	–
	4,958,236	4,745,742	**2,696,647**	2,645,664

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.2 Foreign currency risk

Transactions in foreign currencies and the Group's risk management policies

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency exchange rate risks in Renminbi is minimal as majority of the subsidiaries of the Group operates in Mainland China with most of the transactions denominated and settled in Renminbi. However, the Group also has financial assets and liabilities denominated in foreign currency, primarily United States Dollars (US$). As US$ is pegged to HK$, the management of the Group considers the risk of the exposure on foreign exchange is not significant. The exposure to foreign exchange risk is shown as below.

The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

US$ denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**77,626**	156,691
Cash and cash equivalents and pledged bank deposits	**63,062**	251,423
Other payables	**(63,233)**	(49,862)
Finance from third parties	**(2,834,233)**	(2,658,182)
Net exposure arising from recognised financial assets and financial liabilities	**(2,756,778)**	(2,299,930)

The Company does not have any exposure to foreign currencies at 31 December 2010 and 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.2 Foreign currency risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit for the year and (accumulated losses)/retained earnings in response to reasonably possible changes in the exchange rates of US$.

	2010			2009		
	Changes in foreign exchange rates	**(Increase)/ Decrease in loss for the year HK$'000**	**(Decrease)/ Increase in equity HK$'000**	Changes in foreign exchange rates	(Decrease)/ Increase in profit for the year HK$'000	(Decrease)/ Increase in equity HK$'000
US$	**+0.5%**	**(13,784)**	**(13,784)**	+0.5%	(11,499)	(11,499)
	–0.5%	**13,784**	**13,784**	–0.5%	11,499	11,499

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

43.3 Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank borrowings carrying interests at variable rates, cash and cash equivalents and debt investments at fixed rates. Borrowings and cash and cash equivalents carried at variable rates expose the Group to cash flow interest rate risk whereas debt investments issued at fixed rates, which are accounted for as fair value through profit or loss, expose the Group to fair value interest rate risk. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank borrowings and cash and cash equivalent of the Group are disclosed in note 28 and 24 respectively. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.3 Cash flow and fair value interest rate risk (Continued)

Cash flow interest rate risk sensitivity

At 31 December 2010, the Group was exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. The following table illustrates the sensitivity of the (loss)/profit for the year and (accumulated losses)/retained earnings to a change in interest rates of +100 basis points and –100 basis points (2009: +100 basis points and –100 basis points), with effect from the beginning of the year. The calculations are based on the Group's and the Company's bank borrowings and bank balance held at each reporting date. All other variables are held constant.

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 100 basis points (2009: 100 basis points) higher				
Decrease/Increase in (loss)/profit for the year	**683**	5,294	**162**	173
If interest rates were 100 basis points (2009: 100 basis points) lower				
Increase/Decrease in (loss)/profit for the year	**(683)**	(5,294)	**(162)**	(173)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve months period.

Fair value interest rate risk sensitivity

At 31 December 2010, the Group was exposed to fair value interest rate risk due to changes in market interest rates through its debt investments, which are issued at fixed interest rates and accounted for as fair value through profit or loss. The following table illustrates the sensitivity of the (loss)/profit for the year and (accumulated losses)/retained earnings to a change in interest rates of + 50 basis points and –50 basis points, with effect from the beginning of the year. The calculations are based on the Group's debt investments held at each reporting date. All other variables are held constant.

	Group	
	2010	2009
	HK$'000	HK$'000
If interest rates were 50 basis points higher		
Net profit/(loss) for the year	**(13)**	(284)
If interest rates were 50 basis points lower		
Net profit/(loss) for the year	**17**	286

The Company is not exposed to any fair value interest rate risk as the Company does not have fixed-rate financial instrument measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.4 Other Price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed equity securities classified as financial assets at fair value through profit and loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board. The Group's listed investments are listed on the Stock Exchange of Hong Kong, Shenzhen and Shanghai, Mainland China. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the group's liquidity needs. Investments held in the available for sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Equity price sensitivity

For listed equity securities, an average volatility of 15% has been observed in 2010 (2009: 23%). If the quoted price for the Group's listed equity securities existing as at 31 December 2010 increased or decreased by that amount, (loss)/ profit for the year and (accumulated losses)/retained earnings would have decreased or increased by HK$19,787,000 (2009: HK$58,699,000) in respect of listed equity securities classified as held for trading. The assumed volatilities of listed securities represent the management's assessment of a reasonably possible change in these security prices over the next twelve month period.

43.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. As at 31 December 2010, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation and financial guarantees provided by the Group is arising from:

– carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

– the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 39.

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

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 23 and note 19, respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The following table details the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group and the Company can be required to pay:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2010					
Trade payables	345,475	345,475	345,475	–	–
Other payables and accruals	584,811	584,811	584,811	–	–
Amount due to a director	107,046	107,046	107,046	–	–
Amounts due to shareholders	5,006	5,006	5,006	–	–
Amount due to an associate	5,505	5,505	5,505	–	–
Bank borrowings	1,075,615	1,181,536	342,616	488,219	350,701
Amount due to a minority shareholder	495	495	495	–	–
Finance lease liabilities	50	58	18	18	22
Finance from third parties	2,834,233	3,106,886	3,106,886	–	–
	4,958,236	5,336,818	4,497,858	488,237	350,723
Financial guarantees issued Maximum amount guaranteed	–	79,513	79,513	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.6 Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2009					
Trade payables	375,716	375,716	375,716	–	–
Other payables and accruals	626,706	626,706	626,706	–	–
Amount due to a director	147,184	147,184	147,184	–	–
Amounts due to shareholders	5,006	5,006	5,006	–	–
Amounts due to associates	19,156	19,156	19,156	–	–
Bank borrowings	913,321	947,751	501,511	438,130	8,110
Amount due to a minority shareholder	406	406	406	–	–
Finance lease liabilities	65	76	18	18	40
Finance from third parties	2,658,182	3,329,854	230,562	3,099,292	–
	4,745,742	5,451,855	1,906,265	3,537,440	8,150
Financial guarantees issued Maximum amount guaranteed	–	78,567	78,567	–	–

Company

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**On demand or within 1 year HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
As at 31 December 2010					
Other payables and accruals	**8,155**	**8,155**	**8,155**	**–**	**–**
Amounts due to subsidiaries	**982,504**	**982,504**	**982,504**	**–**	**–**
Amount due to a director	**71,387**	**71,387**	**71,387**	**–**	**–**
Finance lease liabilities	**50**	**58**	**18**	**18**	**22**
Loan from subsidiaries	**1,634,551**	**1,679,538**	**1,679,538**	**–**	**–**
	2,696,647	**2,741,642**	**2,741,602**	**18**	**22**
Financial guarantees issued Maximum amount guaranteed	**–**	**3,011,162**	**3,011,162**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.6 Liquidity risk (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2009					
Other payables and accruals	5,882	5,882	5,882	–	–
Amounts due to subsidiaries	989,621	989,621	989,621	–	–
Amount due to a director	105,520	105,520	105,520	–	–
Loan from subsidiaries	1,544,576	1,679,538	–	1,679,538	–
Finance lease liabilities	65	76	18	18	40
	2,645,664	2,780,637	1,101,041	1,679,556	40
Financial guarantees issued					
Maximum amount guaranteed	–	3,540,803	3,540,803	–	–

43.7 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: pledged bank deposits, cash and cash equivalents, trade receivables and payables, other receivables and payables, current portion of bank borrowings, loan from/amounts due from/(to) a director/shareholders/a minority shareholder/subsidiaries/associates. Analysis of the interest rate and carrying amounts of borrowings are presented in note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

43.7 Fair value (Continued)

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2010				
Assets				
Available-for-sale financial assets	**–**	**324**	**149**	**473**
Listed securities held for trading	**134,880**	**–**	**–**	**134,880**
Unlisted securities held for trading	**–**	**77,626**	**–**	**77,626**
Total fair values	**134,880**	**77,950**	**149**	**212,979**

	Group			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2009				
Assets				
Available-for-sale financial assets	–	324	–	324
Listed securities held for trading	382,698	–	–	382,698
Unlisted securities held for trading	–	31,333	–	31,333
Total fair values	382,698	31,657	–	414,355

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank borrowings, finance from third parties and finance lease liabilities less the sum of pledged bank deposits and cash and cash equivalents as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank borrowings	**280,137**	473,364	**–**	–
Finance lease liabilities	**16**	16	**16**	16
Finance from third parties	**2,834,233**	–	**–**	–
Loan from subsidiaries	**–**	–	**1,634,551**	–
Non-current liabilities				
Loan from subsidiaries	**–**	–	**–**	1,544,576
Bank borrowings	**795,478**	439,957	**–**	–
Finance lease liabilities	**34**	49	**34**	49
Finance from third parties	**–**	2,658,182	**–**	–
Total debt	**3,909,898**	3,571,568	**1,634,601**	1,544,641
Less: Pledged bank deposits	**(37,446)**	(120,534)	**–**	–
Cash and cash equivalents	**(397,405)**	(610,341)	**(16,197)**	(17,285)
Net debt	**3,475,047**	2,840,693	**1,618,404**	1,527,356
Total equity	**4,520,220**	4,778,856	**3,050,023**	3,156,974
Total equity and net debt	**7,995,267**	7,619,549	**4,668,427**	4,684,330
Gearing ratio	**43.46%**	37.28%	**34.67%**	32.61%

LIST OF PROPERTIES

Properties under development

Location	Interest attributable to the Group in percentage	Floor area on completion in sq.m. (approx.)	Type of development	Expected year of completion	Stage of development
A residential development located at Guanghu Gonglu, Huadu District, Guangdong Province, the PRC	100	1,024,000	Commercial/ residential	2017	Construction in progress
Reclaimed site located at Liu Wan, Shekou, Shenzhen, Guangdong Province, the PRC	100	549,000	Shopping arcade/ residential/hotel/ recreational facilities	2016	Construction in progress

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000
Revenue/Turnover	**1,963,454**	4,008,375	494,861	673,031	2,099,237
(Loss)/Profit for the year	**(428,563)**	138,893	(534,763)	21,537	(34,702)
Non-controlling interests	**46,990**	61,940	42,525	(36,107)	56,583
(Loss)/Profit attributable to the owners of the Company	**(381,573)**	200,833	(492,238)	(14,570)	21,881
Total assets	**10,557,210**	10,374,337	10,699,563	8,449,650	7,042,066
Total liabilities	**(6,036,990)**	(5,595,481)	(6,041,792)	(3,405,768)	(2,157,273)
	4,520,220	4,778,856	4,657,771	5,043,882	4,884,793

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