ANNUAL REPORT 2010

K.P.I. COMPANY LIMITED

(Stock Code : 605)

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr Cheung Siu Lam *(Chairman)*
Mr Chan Yuk Ming *(Vice-Chairman)*
Madam Lo Wan

Non-Executive Director

Mr Liu Hui

Independent Non-Executive Directors

Mr Wang Jian Sheng
Mr Chan Chun Keung
Mr Tsang Kwok Wai

COMPANY SECRETARY

Mr Chung Chin Keung FCCA, FCPA, ACA

AUDITOR

CCIF CPA Limited

AUDIT COMMITTEE

Mr Tsang Kwok Wai *(Chairman)*
Mr Wang Jian Sheng
Mr Chan Chun Keung

REMUNERATION COMMITTEE

Madam Lo Wan *(Chairman)*
Mr Tsang Kwok Wai
Mr Wang Jian Sheng
Mr Chan Chun Keung

PRINCIPAL BANKERS

China Minsheng Banking Coporation Limited
Bank of Communications

SHARE REGISTRARS

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

REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

STOCK CODE: 605

WEBSITE

www.kpi.com.hk

Cheung Siu Lam
Chairman and Chief Executive Officer

On behalf of the board of directors (the "Board"), I am pleased to present to the shareholders the annual report of K.P.I. Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2010. In 2010, the Group recorded satisfactory growth & delivered promising performance during the year under review. I would like to express my sincere gratitude to all shareholders and all the staff.

Turnover of the continuing operation of the Group for the year ended 31 December 2010 was approximately HKD 217.0 million, representing an increase of approximately 28.7% over 2009. Profit for the year from continuing operations was about HK$27.0 million, representing an increase of approximately 35.7% over 2009. The consolidated profit attributable to owners of the Company was approximately HK$25.4 million and the basic earnings per share was HK1.469 cents. Net assets amounted to about HK$774.1 million, and return on equity attributable to owners of the Company was 3.3%.

During the year under review, the economy of China maintained steady and yet fast growth in 2010. The domestic economy showed a sound growth momentum. In face of the opportunities arising from economy recovery as well as the challenges brought by rising costs and market competition. The Group's operations and profitability grew steadily as a result of strong brand strategy coupled with continual improvements in overall operational efficiencies. However, rise in rent and staff salaries also affect the operating profit of our Hi-24 convenience chain store. Hi-24 is one the of most influential and brand value growth convenience store systems in Beijing and the Group will continue to focus on strengthening the brand name and the market leadership of Hi-24 convenience chain store.

The disposal of the entire issued capital in K.P.I. (BVI) Retail Management Company Limited, a company incorporated in the British Virgin Islands with limited liability which directly and indirectly holds 60% of equity interests in Hualian GMS Shopping Center Co., Ltd ("Hualian GMS") was completed on 19 August 2010. The Company has obtained adequate financial resources to strengthen its market leadership in its convenience store business and further expanding its short term financing business in Beijing.

Chairman's Statement

Since the launch of the short term pawn loan business in PRC in August 2009, this business has achieved a substantial growth. Revenue derived from short-term pawn loan business in 2010 was about HK$15.5 million, an increase of 416.7% as compared with HK$3.0 million in 2009. Net profit after taxation amounted to approximately HK$4.9 million, an increase of 276.9% as compared with HK$1.3 million in 2009. The short term financing business has a higher net profit margin than the retail businesses of the Company. As China is growing in a rapid rate, there is no doubt that the demand from within the country will increase significantly in the foreseeable future. In addition, the Chinese government is imposing new policies that further stimulate the economy in China. The real GDP is expected to expand 9.6% in 2011 and 9.5% in 2012, driven by domestic demand. Under this trend, demand in financing fund will be urged by private enterprise sector. On 27 January 2011, a wholly owned subsidiary of the Company has entered an acquisition agreement with the controlling shareholder, Mr Cheung Siu Lam, to acquire the entire issued share capital of K.P. Financial Group Limited which indirectly has beneficial interests in 70% of the equity interests in Beijing Huifeng Rongjin Creidt Finance Company Limited and 100% of the equity interests in Beijing Huaxia Xingye Investment Guarantee Company Limited (the "Acquisition"). The Company decides to acquire the above mentioned companies in order to stay focus on providing small loans, loan guarantee, entrusted loans and consultancy services to meet immediate financing needs of customers in PRC. The Acquisition is subjected to independent shareholders' approval. A circular containing further details of the Acquisition and a notice of EGM will be sent to shareholders in due course. With the amount of cash available and there is a huge demand for funding in the private enterprises sector in the PRC, the management believes it would be a great opportunity to build a platform to meet a wide range of customer needs. Our experience from the previous years has proven that this new business has a very high profitability and the return is very attractive and the Board believes that the profitability of the Group will be greatly enhanced upon completion of the acquisition. The Board will continue to explore and seize opportunities through various business plans to maximize shareholders' value and return.

2010 was a successful and rewarding year, I believe 2011 will continue to be full of opportunity and challenges. The Group is putting its effort to develop this new business venture. Our professional team of management and staff will bring us to a greater year. On behalf of the Board, I would like to express my gratitude to all our staff members for their dedication and invaluable contribution to the Group during the year. My special thanks to our shareholders, customers and other stakeholders for their continued support to the Company.

Cheung Siu Lam
Chairman and Chief Executive Officer

Hong Kong, 29 March 2011

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company considers good corporate governance practices to be essential to the promotion of shareholder value and investor confidence.

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

Throughout the year under review, the Company has complied with the code provisions as set out in the CG Code, save for the deviations from code provisions A.1.1, A.2.1 and A.5.1, which deviations are explained in the relevant paragraphs in this Report.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure that they comply with the statutory and CG Code and align with the latest developments.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board composition

The Board currently comprises seven members, consisting of three executive directors, one non-executive director and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Cheung Siu Lam
(Chairman and Chief Executive Officer)
Chan Yuk Ming *(Vice Chairman)*
Lo Wan #

Non-executive directors:

Liu Hui

Independent non-executive directors:

Tsang Kwok Wai ♦+
Wang Jian Sheng ★+
Chan Chun Keung ★+

♦ *Audit Committee Chairman*
★ *Audit Committee Members*
Remuneration Committee Chairman
+ *Remuneration Committee Members*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on page 18.

During the year ended 31 December 2010, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through the participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

Chairman and chief executive officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr Cheung Siu Lam currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer 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.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and Chief Executive Officer, are necessary.

Appointment and re-election of directors

Each of the non-executive directors of the Company is engaged on a service contract for a term of one year. The appointment may be terminated by not less than two months' written notice.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Where vacancies on the Board exist, the Board shall carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Mr Cheung Siu Lam, Mr Chan Chun Keung and Mr Tsang Kwok Wai shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting pursuant to the Company's Articles of Association.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 13 April 2011 contains detailed information of the directors standing for re-election.

Training of directors

Code provision A.5.1 stipulates that every newly appointed director of the issuer should receive a comprehensive, formal and tailored induction on his first appointment, and subsequently such briefing and professional development as is necessary to ensure that he has a proper understanding of operations and business of the issuer and his responsibilities under statute, common law, Listing Rules, applicable legal requirements and other regulatory requirements and the business/governance policies of the issuer.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

Board meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The Chief Financial Officer and Company Secretary attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final versions are open for directors' inspection.

The Company's Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance Records

Code provision A.1.1 stipulates that at least 4 regular Board meetings a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. The Board met two times during the year ended 31 December 2010 for approving the final results for the year ended 31 December 2009 and interim results for the period ended 30 June 2010.

The attendance records of each director at the Board meetings during the year ended 31 December 2010 are set out below:

Name of Directors	Attendance/ Number of Meetings
Mr Cheung Siu Lam	7/8
Mr Chan Yuk Ming	4/8
Madam Lo Wan	8/8
Mr Chan Chun Keung	4/8
Mr Wang Jian Sheng	4/8
Mr Tsang Kwok Wai	5/8
Mr Liu Hui	2/8

Model code for securities transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2010.

The Company has also established written guidelines on no less exacting terms 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 employees was noted by the Company.

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company matters, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

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

The Board has established two committees, namely, the Audit Committee and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board Committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2010 are set out on page 79 in note 7 to the financial statements.

Remuneration committee

The Remuneration Committee comprises four members, namely Madam Lo Wan (Chairman), Mr Tsang Kwok Wai, Mr Wang Jian Sheng and Mr Chan Chun Keung, the majority of them are independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult with the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and determining the annual remuneration packages of the executive directors and the senior management and other related matters.

During the year under review, there had not been any changes to the remuneration packages of the existing directors and therefore the Remuneration Committee did not hold any meeting in 2010.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities for financial reporting

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

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 statutory and regulatory requirements.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Internal controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Group, including all material controls in financial, operational and risk management functions, and to ensure a sound system is maintained and operated by the management in compliance with the agreed procedures and standards.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Directors acknowledge their responsibility for the Group's internal control systems and confirm they have reviewed and are satisfied as to its effectiveness in managing risks.

Audit committee

The Audit Committee comprises three independent non-executive directors, namely Mr Tsang Kwok Wai (Chairman), Mr Wang Jian Sheng and Mr Chan Chun Keung (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the Chief Financial Officer or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Group's annual results and annual report for the year ended 31 December 2009 and interim results and interim report for the six months ended 30 June 2010, the financial reporting and compliance procedures, internal control and risk management systems and processes, and the re-appointment of the external auditors.

There is no different view taken by the Audit Committee from the Board regarding the selection, appointment, resignation or dismissal of external auditors.

The Audit Committee held two meetings during the year ended 31 December 2010 and the attendance records are set out below:

Name of Directors	Attendance/ Number of Meetings
Mr Tsang Kwok Wai	2/2
Mr Wang Jian Sheng	1/2
Mr Chan Chun Keung	1/2

External auditors and auditors' remuneration

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 29.

During the year under review, the remuneration paid to the Company's auditors, is set out below:

Category of services	Fee paid/ payable HK$
Audit service	950,000
Non-audit service	
– Reporting Accountants of Disposal of Hualian GMS Shopping Centre Company Limited	136,726
Total	HK$1,086,726

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide an important channel for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee or, in their absence, other members of the respective committees and the Board, are available to answer questions at the shareholders' meetings.

To promote effective communication, the Company maintains a website at www.kpi.com.hk where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company at its registered office or via email to the Company's website for any inquiries.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

On behalf of the Board
Cheung Siu Lam
Chairman and Chief Executive Officer

The Group was principally engaged in retail business and provision of short term pawn loan in the PRC.

BUSINESS REVIEW

The Group has discontinued its retail business in Shanghai by disposal of its entire 60% interest in Hualian GMS Shopping Center Company Limited, a company principally engaged in hypermarket chain operation mainly in Shanghai and nearby provinces such as Jiangsu and Zhejiang, PRC, in August 2010. The Group will devote more time and resources to strengthening its market leadership in convenience store business in Beijing and further expanding its short term financing business.

In the face of the saturated convenience store market in Shanghai, Beijing K.P.I. Hi-24 Convenience Stores Company Limited (the "Hi-24"), following its strategic adjustment in 2009, continued to implement its development strategies for the Beijing market in 2010, increased its presence in Beijing and expanded its market share. Despite the keen competition from international and domestic players who are targeting the convenience store market in Beijing, Hi-24 has been able to achieve satisfactory operating results in 2010.

In 2010, the sales of Hi-24, including sales of business partners operating within our Hi-24 stores, recorded a year-on-year growth of 22.2%. Our overall gross profit increased by approximately 28.3% as compared with the corresponding period of 2009, while our consolidated gross margin increased by 3.5% to 38.8% from 37.5% in the corresponding period of 2009. 2010 has been the fastest growing year of Hi-24 so far. The sales of its 120 comparable stores, excluding sales made through coupons but including sales of business partners operating within our Hi-24 stores, recorded a year-on-year growth of 7.3%, of which a growth of approximately 15% was basically maintained in the second half of the year. Meanwhile, the daily average sales of our Hi-24 stores, excluding sales made through coupons but including sales of business partners operating within our Hi-24 stores, reached a record high in terms of single-store sales.

Hi-24 has committed itself to exploring the market in Beijing and speeding up the expansion of its retail network through establishing more self-owned stores and franchise stores. In 2010, Hi-24 opened 19 new stores and closed down 9 stores, making up a total number of 177 stores.

Hi-24 has been carrying out improvements and renovations to its stores according to plan while implementing a policy of reasonable pricing and constant optimization of its inventory composition and display, so as to ensure fast-selling products are displayed appropriately and new merchandises are put on shelves promptly. Hi-24 has endeavoured to enhance its store image to attract more new customers, driving growth in store sales with increased patronage and sales per customer. Hi-24 has also developed and adopted various marketing and promotional sales campaigns, such as discounted purchase for designated invoice amount, category discounts, half price for a second item and special offers during festive occasions, which have proved to be immensely popular among consumers. At the same time, Hi-24 has endeavoured to diversify its business by introducing joint operators. For example, Hi-24 has introduced new featured outlets selling puff, fast food and beverages prepared in-store to attract consumers.

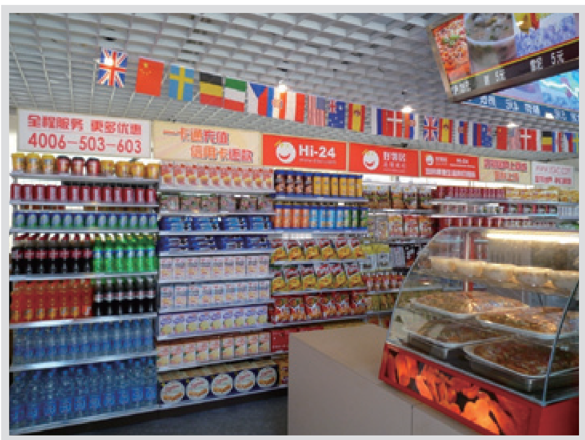
In addition, Hi-24 has vigorously promoted the development of the fast food business to cater to the daily needs of the general public, especially workers and students. Stores with fast food service generally recorded an increase in both average daily sales and patronage. Hi-24's fast food business was just at its inception stage in 2010, which recorded sales revenue of RMB5.85 million, representing 2.90% of Hi-24's total sales revenue. Sales revenue from Hi-24's fast food business amounted to approximately RMB1.03 million in December 2010 alone, and increased substantially to approximately RMB2.00 million in March 2011.

During 2010, Hi-24 identified group purchase customers as a new niche for growth as it took full advantage of its large-scale regional operation, dense network of store outlets, good product quality, competitive prices and friendly and efficient services.

In September 2010, Hi-24 secured an opportunity to serve the International Tennis Tournament Championships as an official designated vendor and the only designated convenience store in the tennis court. Hi-24 effectively enhanced the recognition of its brand name when it was placed side–by-side with international brands for the first time in China Open events. Relying on good teamwork, prompt and efficient distribution of goods, good brand promotion arrangements, quality and cheap merchandise as well as fast and nice service offered at the China Open site, Hi-24 won high praise from the organizers of China Open while achieving good results, laying the groundwork for the Hi-24 to participate in similar activities in the future.

As part of its efforts to improve I.T. and logistics technologies, Hi-24 introduced 3G network into its operation, which not only accelerated the operating speed of the system but also reduced communication costs. Besides, it switched its data system to lower its expenses and combined low and normal temperature logistics to cut logistics costs. It also planned to build a self-owned logistics system gradually, to change and improve the working procedure for every part of operations and improve the efficiency of delivery, turning from cost-efficient operation to profit-oriented operation in the future.

In 2010, Hi-24 put more efforts on the development of a training system for grass-root cadres and attached importance to cultivating backbone staff among existing employees for the future. It provided staff with a learning and development platform. A total of 41 employees were formally appointed as store managers after having attended training sessions and passed strict examinations.



The prolonged delay in adjustment of the Chinese minimum wages due to impact of the global financial crisis in 2009 put more pressure on the growth of staff costs in 2010. While striving to enhance operation performance, improve salary policy and increase work efficiency through effective control of staff numbers, Hi-24 raised the wages of front-line staff and front-line managerial personnel in 2010, which consequently led to an overall increase in staff wages, benefits and social insurance and resulted in the increase of staff costs accordingly. However, with the concerted efforts of all staff in the company, we achieved a record of high growth in sales and successfully offset the adverse effect of higher staff costs. In 2011, with merchandise prices going up and further upward adjustment of the minimum wages, Hi-24 will face greater pressure on staff costs, which can only be offset by increasing its daily sales volume.

Hi-24 will face a year full of changes in 2011. In addition to the pressure of higher staff costs, Hi-24 also faces higher rents that landlords demand as convenience stores expand rapidly in Beijing and fewer and fewer shops are available in good locations. Currently, market rentals for shops with street frontage at relatively good locations are above RMB250,000 per year, which requires a higher daily sales volume to pay for the lease. Furthermore, when accelerating new store openings in 2011, Hi-24 will face huge challenges to its operation costs including the inelastic increment utility fees which are driven by rising oil prices. Despite the above adverse factors, after more than ten years' development and accumulation of experience and with the leveraging of its regional advantage, the management is confident that Hi-24 will be able to achieve higher sales growth and strengthen the competitiveness of its management capability by taking various measures. These measures will include promoting the development of logistics, enhancing the construction of information technology, improving store management, focusing on brand building and introducing the "latter 5% of Trade Category Management concept", and launching and improving service programs relating to sales promotion of fast-food, self-owned brands, E-commerce site, group-buying and coupons.

Revenue derived from short-term financing money lending services in 2010 was about HK$15.5 million, an increase of 416.7% as compared with HK$3.0 million in 2009. Net profit after taxation amounted to approximately HK$4.9 million, an increase of 276.9% as compared with HK$1.3 million in 2009. More resources will be deployed in this business as the profitability level is very attractive.

FINANCIAL REVIEW

Turnover, Gross Profit and Expenses

Turnover from continuing operations for 2010 was about HK$217.0 million, representing an increase of HK$48.4 million or 28.7% as compared with HK$168.6 million in 2009. Gross profit for 2010 was approximately HK$60.2 million, representing an increase of HK$22.1 million or 58.0% as compared with HK$38.1 million in 2009. Gross profit margin for 2010 was 27.7%, as compared to 22.6% in 2009. Selling and distribution expenses and administrative expenses for the year represented 33.7% and 20.6% of turnover from continuing operations respectively, as compared with 30.5% and 15.9% of last year.

Other Revenue and Other Net Income

Other revenue and other net income for 2010 was approximately HK$82.6 million, representing an increase of 44.2% over HK$57.3 million for 2009. The increase in other revenue and other net income was mainly attributable to gain on disposal of available-for-sale financial assets and a compensation received from ARC Capital Holdings Limited pursuant to the Cancellation Agreement entered into among Hualian GMS Shopping Centre Company Limited Shanghai XinMeng Investment Company Limited, and ARC Capital Holdings Limited. Details of the announcements was published on 28 January 2010.

Finance Costs

Finance costs from continuing operations for 2010 were approximately HK$1.6 million, representing an increase of 6.7% over HK$1.5 million for 2009.

Profit for the Year Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for 2010 was approximately HK$25.4 million, representing a decrease of 3.4% as compared with HK$26.3 million in 2009.

Capital Structure, Liquidity and Financial Resources

The Group's total assets decreased by 57.6% to HK$885.7 million (2009: HK$2,087.8 million), mainly comprising property, plant and equipment of approximately HK$3.6 million, investment property of approximately HK$74.0 million and available-for-sale investments and financial assets at fair value through profit or loss of approximately HK$84.1 million, inventory of approximately HK$35.6 million, short term loans receivable and other receivables, deposits and prepayments of approximately HK$347.0 million and bank deposits and cash of about HK$340.0 million.

The Group's bank borrowings were about HK$42.1 million. The debt maturity profile of the Group as at 31 December 2010 is analyzed below:

	2010	2009
	HK$ Million	HK$ Million
Within 1 year	**25.8**	152.1
After 1 year but within 5 years	**16.3**	20.5
Over 5 years	**–**	0.6
	42.1	173.2

The following asset of the Group has been pledged for securing bank loan facilities:

	2010	2009
	HK$ Million	HK$ Million
Investment property	**74.0**	65.9

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2010. The Group may become involved in certain legal proceedings relating to claims arising out of operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have material adverse effect on the Group's financial situation or operational results.

EXECUTIVE DIRECTORS

MR CHEUNG SIU LAM, aged 52, is a co-founder and Chairman of the Group. Before establishing the Group, Mr Cheung worked for Beijing Machinery Import & Export Company for many years. Mr Cheung has extensive experience in trading and retailing business in the People's Republic of China ("PRC"). Mr Cheung is responsible for the overall strategic planning and corporate development of the Group. Mr Cheung is the spouse of Madam Lo Wan.

MR CHAN YUK MING, aged 52, is the Vice-Chairman of the Group. Mr Chan graduated from the Hangzhou Institute of Business, following which he worked in the accounting department of the Ministry of Commerce. He joined the Group in 1985 and is responsible for business development of the Group.

Mr Chan does not have any relationship with any other directors, senior management, substantial shareholders, or controlling shareholders of the Company.

MADAM LO WAN, aged 49, joined the Group in 1989. Prior to joining the Group, she worked for a PRC trading company. Madam Lo is responsible for the investment in marketable securities. Madam Lo is also the chairman of the Remuneration Committee of the Company.

Madam Lo is the spouse of Mr Cheung Siu Lam, the Chairman of the Group.

NON-EXECUTIVE DIRECTOR

MR LIU HUI, aged 54, is graduated from Beijing University of International Business and Economics and Westminster University of UK. Mr. Liu has over 28 years of experience in advising and investing in the PRC, especially in the retail and consumer sectors. Mr Liu co-founded the US$165 million China Retail Fund, LDC with American International Group, Inc in 1996. He is currently an independent non-executive director of China-Hong Kong Photo Products Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and a non-executive director of ARC Capital Holdings Limited (a closed-end fund listed on the AIM market of the London Stock Exchange). Mr Liu joined the Group in October 2007.

Mr Liu does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR WANG JIAN SHENG, aged 58, graduated from Luoyang Industrial Institution (currently known as Henan Technology University) with a degree in engineering. He has been involved in industrial businesses for more than 25 years and has worked in the Project Department of China Everbright Industrial Company for four years. Mr Wang was the chairman of Strong Petrochemical Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited). Mr Wang joined the Group in 1996. Mr Wang is also a member of the Audit Committee and the Remuneration Committee of the Company.

Mr Wang does not have any relationship with any other directors, senior management, substantial shareholders, or controlling shareholders of the Company.

MR CHAN CHUN KEUNG, aged 60, joined the Group in November, 2000. Mr Chan has extensive experience in trading and investment in PRC and is currently a committee member of the Chinese People's Political Consultative Conference of Fujian Province, PRC, the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in PRC. Mr Chan is also a member of the Audit Committee and the Remuneration Committee of the Company.

Mr Chan does not have any relationship with any other directors, senior management, substantial shareholders, or controlling shareholders of the Company.

MR TSANG KWOK WAI, aged 41, joined the Group in May 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants; The Association of Chartered Certified Accountants; and The Taxation Institute of Hong Kong. Mr Tsang is also an independent non-executive director of Century Ginwa Retail Holdings Limited and ABC Communications (Holdings) Limited (from 18 September 2008 to 28 January 2011) (both companies listed on The Stock Exchange of Hong Kong Limited). Mr Tsang has over 18 years of experience in accounting and finance. At present, Mr Tsang runs his own firm and practices public accounting. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr Tsang does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

SENIOR MANAGEMENT

MR TAO YE, aged 38, is the general manager of the Group. He joined the Group in January, 2004. Mr Tao graduated in Peking University in 1995 and obtained a bachelor degree in Science and a certificate in Law. Mr Tao further obtained a master degree in Science and Business Administration from Peking University in 1998 and 2001 respectively. Mr Tao is also a director of Beijing K.P.I. Hi-24 Convenience Stores Company Limited. He has extensive experience in strategic planning, business administration and corporate management.

MR CHUNG CHIN KEUNG, aged 43, is the company secretary and financial controller of the Group and is responsible for the overall financial and accounting affairs. He joined the Group in October, 2004. Mr Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. He has 20 years experience in finance, accounting and management. Before joining the Group, Mr Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr Chung is also an independent non-executive director of China Primary Resources Holdings Limited (a company listed on the Growth Enterprise Market (GEM) of The Stock Exchange of Hong Kong Limited). Mr Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Financial Consultants.

MADAM CHIN TUNG MUI, aged 49, graduated from Beijing Institute of Business with a degree in Economics. Madam Chin also holds a master degree in Business Administration from the Open University of Hong Kong. She joined the Group in 1990 and is the Deputy General Manager of K.P.A. Company Limited. Madam Chin is responsible for business development of the Group.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 17 to the financial statements respectively.

SEGMENT INFORMATION

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2010 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 35. The directors do not recommend the payment of any dividend in this year (2009: NIL).

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT, LEASE PREMIUM FOR LAND AND INVESTMENT PROPERTY

Details of movements in property, plant and equipment, land lease premium and the investment property of the Group are set out in notes 13 to 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 32 and 33 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Profit for the year attributable to owners of the Company of HK$25,355,000 (2009: HK$26,303,000) has been transferred to reserves. As at 31 December 2010, the Company's reserve available for distribution to shareholders amounted to approximately HK$76,659,000 (2009: HK$74,117,000) in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

The Group is principally involved in retail business and provision of short term financing services. The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's revenue and purchases respectively during the year.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors

Cheung Siu Lam *(Chairman)*
Chan Yuk Ming *(Vice-chairman)*
Lo Wan

Non-Executive Director

Liu Hui

Independent Non-Executive Directors

Wang Jian Sheng
Chan Chun Keung
Tsang Kwok Wai

According to Article 105(A) of the Company's Articles of Association, Mr Cheung Siu Lam, Mr Chan Chun Keung and Mr Tsang Kwok Wai shall retire by rotation at the Annual General Meeting, and being eligible, will offer themselves for re-election at the Annual General Meeting. The directors of the Company, including the independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

DIRECTORS' SERVICE CONTRACTS

The non-executive director, Mr Liu Hui and the independent non-executive director, Mr Tsang Kwok Wai, have entered into a service contract with the Company for one year commencing on 8 October 2007 and 28 May 2007 respectively and is subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Other independent non-executive directors, namely Mr Wang Jian Sheng and Mr Chan Chun Keung entered into service contracts with the Company respectively for a term of one year commencing on 9 September 2004 and are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

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

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested *(Note 1)*	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital
Cheung Siu Lam	Beneficial owner of 460,044,240 ordinary shares and 11,000,000 underlying shares, family interest of 135,523,556 ordinary shares and 11,000,000 underlying shares *(Note 2)* and interest in controlled corporation of 86,400,000 ordinary shares *(Note 3)*	681,967,796	22,000,000	40.31%
Lo Wan	Beneficial owner of 135,523,556 ordinary shares and 11,000,000 underlying shares, family interest of 460,044,240 ordinary shares and 11,000,000 underlying shares *(Note 4)* and interest in controlled corporation of 86,400,000 ordinary shares *(Note 3)*	681,967,796	22,000,000	40.31%
Chan Yuk Ming	Beneficial owner	10,000,000	12,000,000	1.26%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 135,523,556 ordinary shares and 11,000,000 underlying shares held by Lo Wan.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. By virtue of the SFO, Lo Wan is deemed to be interested in 460,044,240 ordinary shares and 11,000,000 underlying shares held by Cheung Siu Lam.

Long Positions in Shares and Underlying Shares of Associated Corporation

Name of Director	Name of Associated Corporation	Approximate Percentage
Cheung Siu Lam	K.P.I. Convenience Retail Company Limited	28%

Save as disclosed above, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of Part XV of the SFO as at 31 December 2010.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS IN SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following companies and person were interested in more than 5% of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital
Cheung Siu Lam	Beneficial owner of 460,044,240 ordinary shares and 11,000,000 underlying shares, family interest of 135,523,556 ordinary shares and 11,000,000 underlying shares and interest in controlled corporation of 86,400,000 ordinary shares	681,967,796	22,000,000	40.31%

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital
Lo Wan	Beneficial owner of 135,523,556 ordinary shares and 11,000,000 underlying shares, family interest of 460,044,240 ordinary shares and 11,000,000 underlying shares and interest in controlled corporation of 86,400,000 ordinary shares	681,967,796	22,000,000	40.31%
Zhang Hao Chen	Beneficial owner	106,242,000	–	6.08%

Save as disclosed above, no person had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 7 June 2004 (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions 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 the Group holds an equity interest (the "Invested Entity").
Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and (iii) any shareholder of 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.
Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	172,590,233 ordinary shares and 10% of the existing issued share capital.
Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting.

	Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.
Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the New Scheme.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.
The remaining life of the New Scheme	The New Scheme remains in force until 6 June 2014.

During the year under review, 36,000,000 share options were granted. Details of the share options granted under the New Scheme are as follows:

As at 31 December 2010, the executive directors, non-executive directors and employees of the Group have the following interests under the New Scheme.

Director	Date of Offer	Exercise Price	Outstanding at 1.1.2010	Granted During the Year	Exercised During the Year	Lapsed During the Year	Outstanding at 31.12.2010	Exercise Period	Closing Price of the Securities Immediately before the Date on Which the Options were Offered
Cheung Siu Lam	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	–	1,000,000	–	–	1,000,000	22.10.10 – 21.10.20	0.360
Lo Wan	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	–	1,000,000	–	–	1,000,000	22.10.10 – 21.10.20	0.360
Chan Yuk Ming	04.10.07	0.479	10,000,000	–	–	–	10,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	–	2,000,000	–	–	2,000,000	22.10.10 – 21.10.20	0.360
Employees in aggregate	10.01.05	0.126	19,100,000	–	19,100,000	–	–	10.01.05 – 06.06.14	0.126
	04.10.07	0.479	38,500,000	–	–	5,500,000	33,000,000	04.10.07 – 03.10.17	0.460
	22.10.10	0.359	–	32,000,000	1,000,000	–	31,000,000	22.10.10 – 21.10.20	0.360

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

The Company has not redeemed any of its listed securities during the year ended 31 December 2010. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

RETIREMENT SCHEMES

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements have been audited by CCIF CPA Limited, Certified Public Accountants. A resolution for their re-appointment as the Company's auditor for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Cheung Siu Lam
Chairman and Chief Executive Officer

Hong Kong, 29 March 2011

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF K. P. I. COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of K.P.I. Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 127 which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 141 of the Hong Kong Companies Ordinance, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2011

Kwok Cheuk Yuen
Practising Certificate Number P02412

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	*3*	**217,022**	168,601
Cost of sales		**(156,800)**	(130,526)
Gross profit		**60,222**	38,075
Other revenue	*3*	**32,598**	27,045
Other net income	*3*	**49,958**	30,257
Change in fair value of investment property	*15*	**8,066**	7,939
Selling and distribution expenses		**(73,054)**	(51,359)
Administrative expenses		**(44,683)**	(26,854)
Profit from operations		**33,107**	25,103
Finance costs	*6*	**(1,550)**	(1,462)
Profit before taxation from continuing operations	*5*	**31,557**	23,641
Income tax	*8(a)*	**(4,565)**	(3,745)
Profit for the year from continuing operations		**26,992**	19,896
Discontinued operations			
Profit for the year from discontinued operations	*9*	**5,154**	22,718
Profit for the year		**32,146**	42,614
Other comprehensive income, net of income tax			
Exchange differences on translation of financial statements of overseas subsidiaries		**8,571**	358
Change in fair value of available-for-sale financial assets		**(6,724)**	16,057
Other comprehensive income for the year, net of income tax		**1,847**	16,415
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**33,993**	59,029

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Profit for the year attributable to:			
Owners of the Company		**25,355**	26,303
Non-controlling interests		**6,791**	16,311
		32,146	42,614
Total comprehensive income attributable to:			
Owners of the Company		**26,270**	42,543
Non-controlling interests		**7,723**	16,486
		33,993	59,029
Earnings per share (in HK cent)	*12*		
From continuing and discontinued operations			
– Basic		**HK1.469 cents**	HK1.524 cents
– Diluted		**HK1.459 cents**	HK1.515 cents
From continuing operations			
– Basic		**HK1.553 cents**	HK0.850 cents
– Diluted		**HK1.542 cents**	HK0.845 cents

The notes on pages 39 to 127 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	31/12/2010 HK$'000	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	*13*	**3,624**	71,068	66,108
Land lease premium	*14*	**–**	–	–
Investment property	*15*	**73,959**	65,893	57,954
Intangible assets	*16*	**403**	160,479	167,431
Goodwill	*18*	**–**	377,972	377,972
Long term lease prepayment	*24*	**–**	7,516	8,591
Available-for-sale investments	*19*	**48,495**	38,365	21,774
		126,481	721,293	699,830
Current assets				
Inventories	*23*	**35,581**	222,949	219,514
Land lease premium	*14*	**–**	–	–
Accounts receivable	*20*	**1,143**	43,755	28,055
Short term loans receivable	*21*	**186,209**	52,365	–
Other receivables, deposits and prepayments	*24*	**160,814**	394,400	323,264
Financial assets at fair value through profit or loss	*22*	**35,558**	2,623	–
Tax recoverable	*8(b)*	**–**	567	567
Pledged deposits	*26*	**–**	174	339
Cash and cash equivalents	*27*	**339,954**	649,688	550,385
		759,259	1,366,521	1,122,124
Current liabilities				
Tax payable	*8(b)*	**1,510**	1,549	825
Accounts payable	*28*	**54,365**	550,785	457,387
Other payables, deposits received and accruals	*29*	**9,440**	479,042	370,417
Short term bank loans – secured	*30*	**4,650**	4,650	–
Short term bank loans – unsecured	*30*	**21,153**	147,443	169,587
		91,118	1,183,469	998,216
Net current assets		**668,141**	183,052	123,908
Total assets less current liabilities		**794,622**	904,345	823,738
Non-current liabilities				
Long-term bank loans – secured	*30*	**16,277**	21,096	–
Deferred tax liabilities	*31*	**4,203**	42,200	41,951
		20,480	63,296	41,951
NET ASSETS		**774,142**	841,049	781,787

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	**31/12/2010 HK$'000**	31/12/2009 HK$'000 (Restated)	1/1/2009 HK$'000 (Restated)
EQUITY				
Share capital	*32*	**174,600**	172,590	172,590
Reserves	*34*	**591,229**	564,243	521,550
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**765,829**	736,833	694,140
Non-controlling interests	*34*	**8,313**	104,216	87,647
TOTAL EQUITY		**774,142**	841,049	781,787

Approved and authorised for issue by the board of directors on 29 March 2011.

On behalf of the board

Cheung Siu Lam
Director

Chan Yuk Ming
Director

The notes on pages 39 to 127 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	*13*	**391**	633
Interests in subsidiaries	*17*	**33,519**	33,519
		33,910	34,152
Current assets			
Other receivables, deposits and prepayments	*24*	**2,286**	2,048
Amounts due from subsidiaries	*25*	**576,417**	527,294
Cash and cash equivalents	*27*	**142,676**	1,476
		721,379	530,818
Current liabilities			
Other payables, deposits received and accruals	*29*	**571**	138
Amounts due to subsidiaries	*25*	**190,639**	13,849
		191,210	13,987
Net current assets		**530,169**	516,831
Total assets less current liabilities		**564,079**	550,983
NET ASSETS		**564,079**	550,983
EQUITY			
Equity attributable to owners of the Company			
Share capital	*32*	**174,600**	172,590
Reserves	*34*	**389,479**	378,393
		564,079	550,983
TOTAL EQUITY		**564,079**	550,983

Approved and authorised for issue by the board of directors on 29 March 2011.

On behalf of the board

Cheung Siu Lam
Director

Chan Yuk Ming
Director

The notes on pages 39 to 127 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

				Other comprehensive income						
	Share capital	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	Fair value reserve	Statutory surplus reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	172,590	287,362	16,914	11,009	(7,043)	747	212,561	694,140	87,647	781,787
Exchange adjustment	–	–	–	183	–	–	–	183	175	358
Fair value adjustment for available-for-sale financial assets	–	–	–	–	16,057	–	–	16,057	–	16,057
Profit for the year	–	–	–	–	–	–	26,303	26,303	16,311	42,614
Total comprehensive income	–	–	–	183	16,057	–	26,303	42,543	16,486	59,029
Transfer	–	–	–	–	–	357	(207)	150	83	233
At 31 December 2009 and 1 January 2010	172,590	287,362	16,914	11,192	9,014	1,104	238,657	736,833	104,216	841,049
Exchange adjustment	–	–	–	7,639	–	–	–	7,639	932	8,571
Profit for the year	–	–	–	–	–	–	25,355	25,355	6,791	32,146
Fair value adjustment for financial assets	–	–	–	–	(6,724)	–	–	(6,724)	–	(6,724)
Total comprehensive income	–	–	–	7,639	(6,724)	–	25,355	26,270	7,723	33,993
Shares issued under share option scheme	2,010	3,125	(2,369)	–	–	–	–	2,766	–	2,766
Decrease in non-controlling interests arising on disposal of interest in KPIRM	–	–	–	–	–	–	–	–	(103,626)	(103,626)
Decrease in exchange fluctuation reserve arising on disposal of interest in KPIRM	–	–	–	(7,335)	–	–	–	(7,335)	–	(7,335)
Decrease in statutory surplus reserve arising on disposal of interest in KPIRM	–	–	–	–	–	(493)	–	(493)	–	(493)
Equity settled share-based transactions	–	–	7,788	–	–	–	–	7,788	–	7,788
At 31 December 2010	**174,600**	**290,487**	**22,333**	**11,496**	**2,290**	**611**	**264,012**	**765,829**	**8,313**	**774,142**

The notes on pages 39 to 127 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Profit for the year		**32,146**	42,614
Adjustments for			
Income tax expense recognised in profit or loss		**6,843**	5,392
Depreciation of property, plant and equipment	*13*	**20,888**	25,245
(Gain)/loss on disposal of property, plant and equipment		**(168)**	3,718
Interest income		**(1,951)**	(4,952)
Finance costs		**4,223**	12,471
Share-based payment expenses		**7,788**	–
Dividend income from listed investments		**(560)**	(442)
Loss on disposal of subsidiaries	*36*	**8,080**	–
Amortisation of intangible assets	*16*	**4,407**	6,952
Changes in fair value of investment property	*15*	**(8,066)**	(7,939)
Changes in working capital		**73,630**	83,059
Increase in short term loans receivables		**(103,172)**	(52,365)
Decrease/(increase) in inventories		**75,312**	(3,435)
Decrease/(increase) in accounts receivable		**42,612**	(146)
Increase in other receivables, deposits and prepayments		**(178,837)**	(85,615)
Increase in accounts payables		**7,815**	93,398
Increase in other payables and accruals		**33,237**	108,625
Increase in financial assets at fair value through profit or loss		**(32,935)**	(2,623)
Cash (used in)/generated from operations		**(155,968)**	57,839
Taxation paid			
– PRC enterprise income tax	*8(b)*	**(4,395)**	(4,419)
Net cash (used in)/generated from operating activities		**(86,733)**	136,479

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(26,012)**	(33,787)
Purchase of available-for-sale investment		**(42,304)**	(7,282)
Proceeds from sale of available-for-sale investment		**25,450**	6,748
Proceeds on disposal of subsidiaries, net of cash disposed	*36*	**(117,766)**	–
Interest received		**1,951**	4,952
Proceeds from issue of shares		**2,766**	–
Dividend received from listed investment		**560**	442
Proceeds on disposal of property, plant and equipment		**1,721**	70
Net cash outflow from investing activities		**(153,634)**	(28,857)
Financing activities			
Interest paid		**(4,223)**	(12,471)
Proceeds from new bank loans		**21,153**	173,189
Repayment of bank loans		**(94,947)**	(169,587)
Net cash outflow from financing activities		**(78,017)**	(8,869)
(Decrease)/increase in cash and cash equivalents		**(318,384)**	98,753
Effect of foreign exchange rate changes		**8,476**	385
Cash and cash equivalents at beginning of the year		**649,862**	550,724
Cash and cash equivalents at end of the year	*27*	**339,954**	649,862

The notes on pages 39 to 127 form an integral part of these financial statements.

1. CORPORATE INFORMATION

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

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable 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"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(b) provides information on any changes in accounting policies resulting from initial applications of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– investment property *(see note 2(v))*;

– financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss *(see note 2(k))*.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

Application of new and revised HKFRSs

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

Application of new and revised HKFRSs (continued)

In the current year, the Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK-Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of the other new and revised HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009

HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments 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 consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009 (continued)

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively.

The effect of the adoption of the amendments to HKAS 17 is as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Decrease in prepaid lease payments	**(858)**	(881)	(905)
Increase in property, plant and equipment	**858**	881	905

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

New/revised HKFRSs not adopted

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2010.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

New/revised HKFRSs not adopted (continued)

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 February 2010.*
3 *Effective for annual periods beginning on or after 1 July 2010.*
4 *Effective for annual periods beginning on or after 1 January 2011.*
5 *Effective for annual periods beginning on or after 1 July 2011.*
6 *Effective for annual periods beginning on or after 1 January 2012.*
7 *Effective for annual periods beginning on or after 1 January 2013.*

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

New/revised HKFRSs not adopted (continued)

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKSA 39, the entire amount of the changes in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

New/revised HKFRSs not adopted (continued)

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 32 titled Classification of Rights issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) Basis of preparation of the financial statements *(continued)*

New/revised HKFRSs not adopted (continued)

The amendments to HK(IFRIC)-Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 19 provides guidance regarding the accounting the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revise standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

All relevant changes in accounting policies and disclosures have been made in accordance with the provisions of the respective standards.

c) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All material inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the sales proceeds and the Group’s share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated statement of comprehensive income.

Non-controlling interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently exercisable are taken into account. On adoption of HKAS 27 (Revised), when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. (The adoption of this change in HKAS 27 (Revised) should be applied prospectively.)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(w), (t), (j) or (i) depending on the nature of the liability.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group losses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset *(see note 2(k))*.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases 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 where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses *(see note 2(i))*, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Business combinations

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

– deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12, *Income Tax*;

– liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

– liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Business combinations *(continued)*

Business combinations on or after 1 January 2010 (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Business combinations *(continued)*

Business combinations on or after 1 January 2010 (continued)

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) Goodwill

Goodwill represents the excess of

i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. For the purposes of equipment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Intangible assets

Intangible assets with finite useful lives acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses *(see note 2(i))*. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The intangible assets in respect of trademarks with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 25 years.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

h) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses *(see note 2(i))*.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss on disposal of property, plant and equipment other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– buildings situated on leasehold land are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

– other property, plant and equipment are depreciated on a straight-line method over their estimated useful lives as follows:

Leasehold improvements	5 years or over the remaining term of the lease, if shorter
Furniture and equipment	5 to 8 years
Motor vehicles	5 years

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

i) Impairment of assets

i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities (other than investments in subsidiaries and associates: see note 2(i)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Impairment of assets *(continued)*

i) Impairment of investments in equity securities and other receivables (continued)

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

– For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For accounts receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Impairment of assets *(continued)*

i) Impairment of investments in equity securities and other receivables (continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt 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.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease premium for land;

– investments in subsidiaries, associates and jointly controlled entity (except for those classified as held for sale);

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Impairment of assets *(continued)*

ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its 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 assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Impairment of assets *(continued)*

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year *(see note 2(i))*.

Impairment losses recognised in an interim period in respect of goodwill and available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

j) Provisions and contingent liabilities

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

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 future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Financial assets

The Group classified its investments in securities in the following categories: available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired.

i) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(l) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss as set out in note 2(l). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent period.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

ii) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of reporting period. Financial assets at fair value through profit or loss are carried at fair value, realised and unrealised gains and losses arising from changes in the fair value of these investments are included in the profit or loss in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) Financial assets *(continued)*

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. They arise when the Group provides money or services directly to a debtor or a related company with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Reclassification of financial assets, other than as set out below, or of financial liabilities between categories are not permitted following their initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category, where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in shareholders' equity prior to the date of reclassification is amortised to the income statement over the remaining life of the financial assets, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 in profit or loss as follows:

i) *Sale of goods*

Revenue from the sale of merchandise is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the merchandise are delivered to customers and title has passed.

ii) Promotion and store display income, income from leasing of merchandise storage space are recognised according to contract terms and as services are provided.

iii) *Revenue from short term financing service*

- Short term financing service income, which is collected from the customer at the inception of the short term loan, is recognised ratably over the term of the loan made.

- Interest income on provision of short term financing service is recognised using the effective interest method for all short term loans that the Group deems to be collectible based on historical short term loan redemption statistics.

iv) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the 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. Contingent rentals are recognised as income in the accounting period in which they are earned.

v) *Dividends*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) Revenue recognition *(continued)*

vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, an a systematic basis. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

viii) Sale of trading securities

Revenue on sale of trading securities is recognised on a trade date basis when the relevant transactions are executed.

m) Accounts receivable and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts *(see note 2(i))*.

n) Short term loan receivables

Short term loan receivables secured by the pledge of personal property are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A typical short term loan has a term of 30-180 days. If the loan is not repaid, the loan principal becomes the cost of the forfeited collateral, which is held for sale.

o) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 30 January 2008, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 30 January 2008 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences in reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

q) Retirement scheme

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

For the Group's PRC operations participate in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC is responsible for the retirement benefit obligations payable to the Group's retired employees. The Group has no obligation for payment of retirement benefits beyond the annual contribution. The contribution payable is charged as an expense to profit or loss as and when incurred.

r) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs such as direct labour costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t) Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously: or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

u) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

v) Investment properties

Investment property is property (land and/or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

i) use in the production or supply of goods or services or for administrative purposes; or

ii) sale in the ordinary course of business.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

v) Investment properties *(continued)*

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred. Changes in fair values are recognised in the statement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

w) Employee benefits

i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

iii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

x) Related parties

For the purpose of these financial statements, parties are 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; or

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

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

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; or

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.

y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

z) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

ab) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ac) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. TURNOVER, OTHER REVENUE AND OTHER NET INCOME

The principal activities of the Group are the retailing operations in convenience stores, sales of food products and provision of short term financing services.

Turnover represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts in convenience stores and sales of food products and financial service income and interest income arising from provision of short term financing services in short term financing business during the year.

3. TURNOVER, OTHER REVENUE AND OTHER NET INCOME *(continued)*

The Group's turnover, other revenue and other net income for the year arose from continuing operations of the following activities:

	Group	
	2010	2009
	HK$'000	HK$'000
Turnover		
Convenience store operations	**201,515**	164,967
Sales of food products	**–**	671
Interest income on provision of short term financing services	**2,570**	167
Short term financing service income	**12,937**	2,796
	217,022	168,601
Other revenue		
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	**451**	383
Rental receivable from operating leases, less direct outgoings of Nil (2009: Nil)	**6,284**	6,114
Dividend income from listed investments	**560**	442
Promotion and store display income from suppliers	**25,303**	20,106
	32,598	27,045
Other net income		
Gain on disposal of financial assets at fair value through profit or loss	**2,650**	3,273
Gain on disposal of available-for-sale financial assets	**9,864**	1,567
Exchange gain, net	**5,236**	–
Compensation (Note)	**22,870**	–
Reversal of impairment loss on other loans receivables	**–**	16,653
Income from government subsidies	**976**	2,151
Gross rental income from sub-leasing of shop premises	**3,659**	4,163
Others	**4,535**	2,450
Gain on disposal of property, plant and equipment	**168**	–
	49,958	30,257

Note: On 11 August 2009, a subsidiary within the Group, Hualian GMS Shopping Centre Company Limited, signed a letter of intent ("LOI") with Shanghai Xin Meng Investment Company Limited (The "Vendor") and ARC Capital Holding Limited (The "Guarantor") pursuant to which the Group is granted a pre-emptive right for the possible acquisition in consideration of payment of an earnest money of RMB500 million to the Vendor. If the formal acquisition cannot be concluded, the earnest money shall be repaid to the Group upon expiry of the pre-emptive period together with a compensation fee at the rate of 15% per annum (subject to a minimum of return of 8% per annum for a period of six months). On 28 January 2010, the parties of the LOI entered into a cancellation agreement pursuant to which the LOI was terminated with effect from the date of the cancellation agreement and none of the parties have any further obligation or liability under the LOI. The Vendor paid a compensation fee of RMB20 million (approximately equivalent to HK$22,870,000) to the Group, according to the terms set out in the LOI by 30 June 2010.

4. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board of Directors, the chief operating decision-makers for the purpose of resource allocation and performance assessment.

The Group has presented the segment information by the following categories. These segments are managed separately.

1. Convenience stores

2. All others

a) Segment revenue, results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment profit represents the profit earned by each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Head office and corporate expenses are not allocated to individual segments.

Segment assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment.

The two reportable operating segments are listed as follows:

i) Convenience stores engaged in the distribution of live and fresh products, dry products, beverages, processed food and daily necessities through the convenience stores of the Group;

ii) All others comprised, principally, short term financing business, trading of financial securities and property investment.

The supermarket chain operation was discontinued in the current year. The segment information reported on the below does not include any amount for this discontinued operation, which is described in more details in note 8.

4. SEGMENTAL INFORMATION *(continued)*

a) Segment revenue, results, assets and liabilities *(continued)*

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Convenience store		All others		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customer	**201,515**	164,967	**12,937**	3,467	**214,452**	168,434
Interest revenue	**–**	–	**2,570**	167	**2,570**	167
Reportable segment revenue	**201,515**	164,967	**15,507**	3,634	**217,022**	168,601
Reportable segment profit before taxation	**936**	2,727	**29,196**	15,364	**30,132**	18,091
Interest income	**319**	315	**132**	68	**451**	383
Interest expenses	**–**	–	**(1,550)**	(1,462)	**(1,550)**	(1,462)
Depreciation and amortisation	**–**	–	**(731)**	(531)	**(731)**	(531)
Income tax	**(292)**	(726)	**(4,273)**	(3,019)	**(4,565)**	(3,745)
Reportable segment assets	**126,900**	86,602	**755,091**	199,992	**881,991**	286,594
Additions to non-current segment assets	**–**	–	**2,041**	412	**2,041**	412
Reportable segment liabilities	**(59,998)**	(29,944)	**(50,979)**	(28,048)	**(110,977)**	(57,992)

4. SEGMENTAL INFORMATION *(continued)*

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2010 HK$'000	2009 HK$'000
Revenue		
Reportable segments' revenue	217,022	168,601
Consolidated revenue	217,022	168,601
Profit		
Reportable segments' profit derived form Group's external customers	30,132	18,091
Unallocated other revenue	22,870	16,653
Unallocated head office and corporate expenses	(21,445)	(11,103)
Consolidated profit before taxation	31,557	23,641
Assets		
Reportable segments' assets	881,991	286,594
Unallocated head office and corporate assets	3,749	1,252
Consolidated total assets	885,740	287,846
Liabilities		
Reportable segments' liabilities	(110,977)	(57,992)
Unallocated head office and corporate liabilities	(621)	(153)
Consolidated total liabilities	(111,598)	(58,145)

c) Geographical Information

The geographical location of customers is based on the location at which the goods are delivered. Substantially, all of the Group's revenue from external customers, non-current assets and capital expenditure are located in the People's Republic of China ("PRC"), no analysis on revenue from external customers and non-current assets by location are presented.

d) Information about major customers

The Group has a very wide customer base, no single customer contributed more than 10% of the Group's revenue for each of the years ended 31 December 2009 and 2010.

5. PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

The Group's profit from continuing operations before taxation is arrived at after charging/(crediting):

	2010 HK$'000	2009 HK$'000
Continuing operations		
Depreciation	**731**	531
Amortisation of intangible assets	**18**	18
Operating lease payments – land and buildings	**28,248**	21,556
Auditors' remuneration	**950**	950
Cost of inventories	**156,126**	130,373
Staff costs (including directors' remuneration):		
Salaries, allowances and other benefits	**39,392**	25,320
Pension scheme contribution	**5,970**	4,625
Equity settled share-based payment expenses	**7,788**	–
	53,150	29,945

6. FINANCE COSTS

	Group	
	2010 HK$'000	2009 HK$'000
Continuing operations		
Interest expense on bank loans, bank overdrafts and other loans repayable within five years, being total interest expense on financial liabilities not at fair value through profit or loss	**1,550**	1,462

7. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Director's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

i) The details of emoluments of every director are shown below:

	Year ended 31 December 2010				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Share-based payments HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors					
Cheung Siu Lam *(Chairman)*	–	3,512	216	12	3,740
Chan Yuk Ming *(Vice chairman)*	–	839	432	12	1,283
Lo Wan	–	303	216	12	531
Non-executive directors					
Liu Hui	40	–	–	–	40
Independent non-executive directors					
Wang Jian Sheng	40	–	–	–	40
Chan Chun Keung	40	–	–	–	40
Tsang Kwok Wai	80	–	–	–	80
	200	4,654	864	36	5,754

7. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION *(continued)*

i) The details of emoluments of every director are shown below: *(continued)*

	Year ended 31 December 2009				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Share-based payments HK$'000	Pension scheme contribution HK$'000	Total HK$'000
Executive directors					
Cheung Siu Lam (Chairman)	–	3,060	–	12	3,072
Chan Yuk Ming (Vice chairman)	–	839	–	12	851
Lo Wan	–	303	–	12	315
Non-executive directors					
Liu Hui	40	–	–	–	40
Independent non-executive directors					
Wang Jian Sheng	40	–	–	–	40
Chan Chun Keung	40	–	–	–	40
Tsang Kwok Wai	80	–	–	–	80
	200	4,202	–	36	4,438

As at 31 December 2010, the directors held share options under the Company's share option scheme. The details of the share options are disclosed under the paragraph "Share Option Scheme" in the report of the directors and in note 33.

No directors waived any emoluments during the year. No incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31 December 2010 (2009: Nil).

7. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION *(continued)*

ii) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: three) were directors of the Company whose emoluments are included in the disclosure in note 7(i) above. The emoluments of the remaining two (2009: two) individuals were as follows:

	2010	2009
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,069**	1,093
Retirement scheme contribution	**24**	24
Share-based payments	**432**	–
	1,525	1,117

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the two individuals other than directors with the highest emoluments are within the following bands:

	2010	2009
Number of individuals		
HK$Nil up to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	–
	2	2

8. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

a) Income tax in the consolidated statement of comprehensive income represents:

	Group	
	2010	2009
	HK$'000	HK$'000
Current tax		
PRC Enterprise Income Tax	**2,232**	1,762
Under-provision of PRC Enterprise Income Tax in prior years	**316**	–
Deferred tax		
Current year	**2,017**	1,983
Tax charge	**4,565**	3,745

Reconciliation between tax expense and accounting profit at the applicable tax rate:

	2010	2009
	HK$'000	HK$'000
Profit before taxation from continuing operations	**31,557**	23,641
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**8,042**	5,409
Income not subject to taxation	**(8,023)**	(5,404)
Expenses not deductible for taxation purposes	**1,908**	2,394
Effect of unrecognised temporary difference	**(79)**	(15)
Utilisation of tax losses previously not recognised	**(787)**	(529)
Deferred tax assets not recognised	**3,188**	1,890
Under-provision in prior years	**316**	–
Tax charge	**4,565**	3,745

No provision for profits tax in Hong Kong has been made as the Group has no income assessable for profits tax for the year in Hong Kong.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2009: 25%).

8. INCOME TAX (RELATING TO CONTINUING OPERATIONS) *(continued)*

b) Taxation in the consolidated statement of financial position represents:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**(982)**	(258)
Provision for the year		
– PRC taxation	**(2,232)**	(1,762)
Under provision in prior year	**(316)**	–
Taxation paid for PRC enterprise	**2,020**	1,038
At 31 December	**(1,510)**	(982)
Analysed for reporting purposes as:		
Tax recoverable	**–**	567
Tax payables	**(1,510)**	(1,549)
	(1,510)	(982)

9. DISCONTINUED OPERATIONS

On 24 March 2010, K.P.B. Marketing Limited ("K.P.B."), an indirect wholly-owned subsidiary of the Company entered into a sale agreement with Best Links (HK) Co., to dispose of the entire issued share capital in K.P.I. (BVI) Retail Management Company Limited, a company incorporated in the British Virgin Islands with limited liability which directly and indirectly holds 60% of the equity interests in Hualian GMS which mainly engaged in supermarket operations, at a consideration of approximately HK$504 million. The disposal of the supermarket operations is consistent with the Group's long-term policy to focus its resources in the convenience stores chain operation and provision of short-term financing service operations. The disposal was completed on 19 August 2010, on which date control of the supermarket operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed below:

9. DISCONTINUED OPERATIONS *(continued)*

Analysis of profit for the year from discontinued operations

The results of the discontinued operation (i.e. supermarket operation) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2010 HK$'000	2009 HK$'000
Profit for the year from discontinued operations		
Turnover	**1,214,880**	1,904,483
Cost of sales	**(1,095,840)**	(1,693,382)
Other gains	**143,206**	216,622
Expenses	**(246,734)**	(403,358)
Profit before tax	**15,512**	24,365
Income tax expense	**(2,278)**	(1,647)
	13,234	22,718
Loss on disposal of operations	**(8,080)**	–
Profit for the year from discontinued operations attributable to owners of the Company	**5,154**	22,718
Profit for the year from discontinued operations include the following:		
Depreciation and amortisation	**24,546**	31,648
Cash flows from discontinued operations		
Net cash inflows from operating activities	**115,979**	4,165
Net cash (outflows)/inflows from investing activities	**(23,704)**	93,281
Net cash outflows from financing activities	**(92,801)**	(8,870)
Net cash (outflows)/inflows	**(526)**	88,576

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of HK$2,542,000 (2009: loss of HK$11,103,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

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

12. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2010 **HK$'000**	2009 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**25,355**	26,303

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,725,935,213**	1,725,902,336
Effect of deemed issue of shares under the Company's share options scheme	**12,326,592**	10,550,372
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,738,261,805**	1,736,452,708

12. EARNINGS PER SHARE *(continued)*

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2010	2009
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**25,355**	26,303
Adjustment for loss/(profit) for the year from discontinued operations	**1,456**	(11,629)
Earnings for the purpose of basic earnings per share from continuing operations attributable to owners of the Company	**26,811**	14,674

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss/earnings per share for the discontinued operations attributable to owners of the Company is loss of HK0.084 cents per share (2009: earnings of HK0.674 cents per share) and diluted loss/earnings per share for the discontinued operations attributable to owners is loss of HK0.084 cents per share (2009: earnings of HK0.670 cents per share), based on the loss/profit for the year from the discontinued operations of the Company of loss of HK$1.46 million (2009: profit of HK$11.63 million) and the denominators detailed above for both basic and diluted earnings per share.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost					
At 1/1/2009, as previously reported	827	79,543	4,294	69,994	154,658
Effect of adoption of HKAS 17 (Amendment)	1,298	–	–	–	1,298
At 1/1/2009, as restated	2,125	79,543	4,294	69,994	155,956
Additions	–	25,117	–	8,670	33,787
Disposals	–	(3,300)	(415)	(12,848)	(16,563)
Exchange adjustment	–	619	14	648	1,281
At 31/12/2009 and 1/1/2010, as restated	2,125	101,979	3,893	66,464	174,461
Additions	–	10,645	587	14,780	26,012
Disposals	–	(29,051)	(746)	(18,039)	(47,836)
Derecognised on disposal of subsidiaries	–	(81,792)	(1,155)	(62,051)	(144,998)
Exchange adjustment	–	5	–	11	16
At 31/12/2010	**2,125**	**1,786**	**2,579**	**1,165**	**7,655**
Accumulated depreciation					
At 1/1/2009, as previously reported	512	44,102	2,113	42,728	89,455
Effect of adoption of HKAS 17 (Amendment)	393	–	–	–	393
At 1/1/2009, as restated	905	44,102	2,113	42,728	89,848
Effect of adoption of HKAS 17 (Amendment)	24	–	–	–	24
Charge for the year	10	14,463	745	10,003	25,221
Written back on disposals	–	(1,980)	(351)	(10,444)	(12,775)
Exchange adjustment	–	498	11	566	1,075
At 31/12/2009 and 1/1/2010, as restated	939	57,083	2,518	42,853	103,393
Charge for the year	33	10,424	698	9,733	20,888
Written back on disposals	–	(28,829)	(754)	(16,700)	(46,283)
Eliminated on disposal of subsidiaries	–	(38,070)	(676)	(35,222)	(73,968)
Exchange adjustment	–	3	–	(2)	1
At 31/12/2010	**972**	**611**	**1,786**	**662**	**4,031**
Carrying amount					
At 31/12/2010	**1,153**	**1,175**	**793**	**503**	**3,624**
At 31/12/2009 (Restated)	1,186	44,896	1,375	23,611	71,068
At 1/1/2009 (Restated)	1,220	35,441	2,181	27,266	66,108

The leasehold land and building of the Group is held under medium term lease and situated in Hong Kong.

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

Company

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost				
At 1/1/2009	378	1,992	470	2,840
Additions	–	–	25	25
As at 31/12/2009 and 1/1/2010	378	1,992	495	2,865
Additions	–	–	72	72
As at 31/12/2010	**378**	**1,992**	**567**	**2,937**
Accumulated depreciation				
At 1/1/2009	378	1,258	278	1,914
Charge for the year	–	245	73	318
As at 31/12/2009 and 1/1/2010	378	1,503	351	2,232
Charge for the year	–	244	70	314
At 31/12/2010	**378**	**1,747**	**421**	**2,546**
Carrying amount				
At 31/12/2010	**–**	**245**	**146**	**391**
At 31/12/2009	–	489	144	633

14. LAND LEASE PREMIUM

The Group's interests in lease premium for land represent prepaid operating lease payments and their carrying amount are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January, as previously reported	**881**	905
Effect of adoption of HKAS17 (Amendment)	**(881)**	(905)
Carrying amount at 1 January, as restated	**–**	–
Carrying amount at 31 December, as restated	**–**	–

15. INVESTMENT PROPERTY

	Group	
	2010	2009
	HK$'000	HK$'000
At valuation:		
At 1 January	**65,893**	57,954
Increase in fair value	**8,066**	7,939
At 31 December	**73,959**	65,893

The Group's investment property is situated at No. 88, Xi San Wan Road North, Hai Ding District, Beijing. It is held under a long term lease for rental purpose. It was stated at fair value as at 31 December 2010. The investment property was revalued on 31 December 2010 by 北京六合正旭資產評估有限公司, an independent qualified valuer, who have among their staff members of the Ministry of Construction of the People's Republic of China with recent experience in the location and category of property being valued. The valuation, which conform to the 房地產估價規範, were based on either capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties and on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The Group's investment property was pledged to a bank in the PRC to secure banking facilities granted to a subsidiary of the Group in February 2009 *(Note 39)*.

16. INTANGIBLE ASSETS – TRADEMARKS

	Group		
	Hualian GMS *(note a)* HK$'000	**Hi-24** *(note b)* HK$'000	**Total** HK$'000
Cost			
At 1/1/2009	173,348	448	173,796
Disposal of subsidiaries	(173,348)	–	(173,348)
At 31/12/2009 and 31/12/2010	**–**	**448**	**448**
Accumulated amortisation			
At 1/1/2009	6,356	9	6,365
Amortisation for the year	6,934	18	6,952
At 31/12/2009 and 1/1/2010	13,290	27	13,317
Amortisation for the year	4,389	18	4,407
Written back on disposal of subsidiaries	(17,679)	–	(17,679)
At 31/12/2010	**–**	**45**	**45**
Carrying amount			
At 31/12/2010	**–**	**403**	**403**
At 31/12/2009	160,058	421	160,479

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

Note:

a) Hualian GMS is the trademark for a supermarket chain operation. The supermarket chain operation was discontinued in the current year, which is described in more detail in note 9.

b) Hi-24 is the trademark for a convenience chain stores operation.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**33,519**	33,519

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Country of incorporation/ registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
K.P.B. Group Holdings Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary US$12	100%	–	Investment holding
Charter Merit Limited	Hong Kong	Ordinary HK$2	–	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	Ordinary HK$2	–	100%	Holding of a club membership
K.P.A. Company Limited	Hong Kong	Ordinary HK$2 Deferred HK$2	–	100%	Property investment
K.P.B. Asset Holdings Limited	BVI/Hong Kong	Ordinary US$6	–	100%	Investment holding
K.P.B. Marketing Limited ("KPB Marketing")	BVI/Hong Kong	Ordinary US$2	–	100%	Investment holding
K.P.B. – T.C. Holdings Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
K.P.B. Trading Limited	BVI/Hong Kong	Ordinary US$4	–	100%	Investment holding
K.P.I. Development Limited	Hong Kong	Ordinary HK$2 Deferred HK$10,000	–	100%	Trading of financial securities

17. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
K.P.I. Industries Limited	Hong Kong	Ordinary HK$2 Deferred HK$2	–	100%	Investment holding and property investment
K.P.I. International Trading Company Limited	Hong Kong	Ordinary HK$2 Deferred HK$2	–	100%	Holding of a club membership and trading of financial securities
K.P.I. (BVI) Retail Management Company Limited ("KPIRM")	BVI/Hong Kong	Ordinary US$18,087,700	–	Disposal on 19 August 2010 (2009: 100%)	Investment holding
K.P.I. Convenience Retail Company Limited ("KPICR")	BVI/Hong Kong	Ordinary US$50,000	–	72%	Investment holding
Bestjoy International Limited	BVI/Hong Kong	Ordinary US$10	–	Disposal on 19 August 2010 (2009: 100%)	Investment holding
K.P.I. Property Investment Co. Ltd.	Hong Kong	Ordinary HK$1	–	100%	Property investment
華聯集團吉買盛購物中心有限公司 *(Note 1)*	PRC	Registered capital RMB80,000,000	–	Disposal on 19 August 2010 (2009: 100%)	Supermarket chains
海口港佳貿易有限公司(海口港佳) *(Note 2)*	PRC	Registered capital US$12,366,664	–	100%	Investment holding and property investment

17. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Country of incorporation/ registration and operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
上海港佳倍盛經貿有限公司# *(Note 3)*	PRC	Registered capital RMB2,000,000	–	100%	General trading
北京中嘉利通商貿有限公司 *(Note 4)*	PRC	Registered capital RMB30,000,000	–	100%	General trading
北京中港佳鄰商業有限公司 *(Note 5)*	PRC	Registered capital US$1,000,000	–	72%	Convenience stores chain
北京萬方利通典當行有限公司 *(Note 6)*	PRC	Registered capital RMB15,000,000	–	100%	Provision of short term financing services

Not audited by CCIF CPA Limited

Notes:

1) 華聯集團吉買盛購物中心有限公司 (Hualian GMS Shopping Center Company Limited*) ("Hualian GMS") is an equity joint venture established in the PRC to be operated for 20 years up to March 2016. The operating license will be renewed the validity period. Hualian GMS was disposed in the current year, which described in more detail in note 9.

2) 海口港佳 is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to August 2015. The operating license will be renewed the validity period.

3) 上海港佳倍盛經貿有限公司 is a sino-foreign equity joint venture established in the PRC to be operated for 10 years up to March 2012. The operating licence will be renewed the validity period.

4) 北京中嘉利通商貿有限公司 is a wholly foreign-owned enterprise by 海口港佳 to be operated for 15 years up to March 2023.

5) 北京中港佳鄰商業有限公司 is a wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to March 2028.

6) 北京萬方利通典當行有限公司 is a limited liability company established in the PRC.

* *For identification purposes only.*

18. GOODWILL

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount		
At 1 January	**377,972**	377,972
Disposal *(note 36)*	**(377,972)**	–
At 31 December	**–**	377,972

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to reportable segments as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Supermarket chain operation	**–**	377,972

Impairment tests for cash-generating unit containing goodwill

In 2009, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cashflow beyond the five year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Discount rate of 9% has been used for the value-in-use calculation. The supermarket chain operation was discontinued in the current year, which is described in more detail in note 9.

18. GOODWILL *(continued)*

Impairment tests for cash-generating unit containing goodwill *(continued)*

Key assumptions used for value-in-use calculations:

	Group 2009 %
Gross margin	9.98
Growth rate	8
Discount rate	9

In 2009, management determined the budgeted operating profit margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Based on the impairment tests performed, the recoverable amount of the CGU based on value-in-use calculation is higher than its carrying amount. Accordingly, no impairment loss is recognised for the year 2009.

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010 HK$'000	2009 HK$'000
Listed securities, at fair value – Hong Kong	**44,961**	34,831
Unlisted investments:		
– Golf club memberships, at cost	**2,761**	2,761
– Long term equity interest, at cost *(Note)*	**773**	773
Total	**48,495**	38,365

Note: As at 31 December 2009 and 2010, the Group's long term equity interest was not stated at fair value but at cost because it did not have a quoted market price in an active market and the fair value cannot be reliably measured. No impairment is recognised since there is no objective evidence that the long term equity interests will be impaired.

20. ACCOUNTS RECEIVABLE

	Group	
	2010	2009
	HK$'000	HK$'000
Accounts receivable	**1,143**	43,755

All the accounts receivable are expected to be recovered within one year. The carrying amount of accounts receivable approximate to their fair values.

Accounts receivable are due within 30 days from date of billing.

a) Aging analysis

The aging analysis of accounts receivable at the end of the reporting period is as follows:

	2010	2009
	HK$'000	HK$'000
Outstanding balances with ages		
Due within 1 month or on demand	**1,143**	43,348
Due after 1 month but within 3 months	**–**	407
	1,143	43,755

b) Accounts receivable that are not impaired

	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**1,143**	43,348

Accounts receivable that were neither past due nor impaired relate to recognised and creditworthy customers for whom there was no recent history of default.

The Group does not hold any collateral or other credit enhancements over these balances.

21. SHORT TERM LOANS RECEIVABLE

	Group	
	2010	2009
	HK$'000	HK$'000
Loans advanced	**328,359**	139,174
Repayment during the year	**(142,150)**	(87,483)
Exchange adjustment	**–**	674
Balance carried forward	**186,209**	52,365

The Group offers loans secured by tangible personal property, such as real estates, merchandise, commonly known as short term loans. A typical short term loan generally has a term of 30 days to 360 days.

a) Aging analysis

The aging analysis of short term loans receivable at the end of the reporting period is as follows:

	2010	2009
	HK$'000	HK$'000
Outstanding balances with ages		
Due within 1 month or on demand	**186,209**	52,365

b) Short term loans receivable

	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**186,209**	52,365

Short term loans receivable that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

c) All the Group's short term loans receivable in the PRC were denominated in RMB. The short term loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 1% to 3.2%.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Listed securities – Hong Kong & financial derivatives	**35,558**	2,356
Listed securities – PRC	**–**	267
	35,558	2,623

23. INVENTORIES

a) Inventories in the consolidated statement of financial position comprise:

	Group	
	2010	2009
	HK$'000	HK$'000
Commodities held for sale	**35,581**	222,949

As at 31 December 2010, none of the inventories were carried at net realisable value (2009: Nil).

b) The analysis of the amount of inventories recognised as an expense is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount of inventories sold in continuing operations	**156,126**	130,373
Carrying amount of inventories sold in discontinued operation	**1,095,840**	1,693,382
	1,251,966	1,823,755

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other loan receivable	**19,855**	28,786	**–**	–
Less: Allowance for doubtful debt	**(6,365)**	(6,365)	**–**	–
Other loan receivable, net	**13,490**	22,421	**–**	–
Receivables from store display income	**–**	130,082	**–**	–
Others	**48,243**	61,428	**1,455**	1,013
Loans and receivables	**61,733**	213,931	**1,455**	1,013
Trade and deposits paid	**82,653**	142,209	**–**	–
Prepayments	**14,116**	24,496	**252**	294
Utility and sundry deposits	**582**	743	**579**	741
VAT and other tax recoverables	**1,730**	20,537	**–**	–
	160,814	401,916	**2,286**	2,048
Less: Long-term prepaid rent and rental deposit *(Note 1)*	**–**	(7,516)	**–**	–
	160,814	394,400	**2,286**	2,048

Note 1: For 2009, this amount represents rentals prepayment by one of the supermarkets of Hualian GMS. This signed tenancy agreement covers a period up to February 2018 and the prepayment would be amortised annually. The Group would amortise the prepayment till the expiry of tenancy agreement. The Hualian GMS was disposed on 19 August 2010. Details of the assets and liabilities disposed of, are disclosed in Note 36.

Impairment losses in respect of other loan receivable 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 loan receivable directly *(see note 2(i))*.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The movement in the allowance for loans receivable during the year is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**6,365**	23,018
Reversal of impairment *(note 3)*	**–**	(16,653)
At 31 December	**6,365**	6,365

As at 31 December 2010, other loans receivable of the Group amounting to HK$6,365,000 (2009: HK$6,365,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for more than 1 year.

As at 31 December 2009, other loan receivables of the Group impaired in previous years amounting to HK$16,653,000 was recovered.

The Group does not hold any collateral or other credit enhancements over these balances.

25. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

26. PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged cash deposits	**–**	174	**–**	–

In 2009, the amount represents the cash deposits pledged to certain financial institutions to secure for the acquisition of the financial assets at fair value through profit or loss and available-for-sale investments of the Group respectively.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks/financial institutions and on hand	**339,954**	649,862	**142,676**	1,476
Cash and cash equivalents in the consolidated statement of cash flows	**339,954**	649,862	**142,676**	1,476
Pledged cash balances against financial assets	**–**	(174)	**–**	–
Cash and cash equivalents in the consolidated statement of financial position	**339,954**	649,688	**142,676**	1,476

Deposits with bank carry interest at market rates of 0.32% (2009: 0.36%) per annum. The directors consider the carrying amounts of cash and cash equivalents at the end of the reporting period approximate to their fair value.

28. ACCOUNTS PAYABLES

The aging of the Group's accounts payables is analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Outstanding balances with ages		
Due within 1 month or on demand	**20,328**	211,118
Due after 1 month but within 3 months	**34,037**	339,667
	54,365	550,785

Accounts payable are interest free and are normally settled on 90-day terms. The carrying amounts of accounts payable approximate to their fair values due to their short term maturity and measured at amortised cost.

29. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued salaries, wages and benefits	**2,319**	16,292	**–**	–
Accrued expenses	**5,145**	11,035	**571**	138
Others	**326**	38,600	**–**	–
Financial liabilities measured at amortised cost	**7,790**	65,927	**571**	138
Rental and other deposit received	**1,265**	28,329	**–**	–
Deposits from gift vouchers and membership cards	**–**	381,754	**–**	–
VAT and other tax payables	**385**	3,032	**–**	–
	9,440	479,042	**571**	138

All of the other payables, deposits received and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

30. BANK BORROWINGS

At the end of the reporting period, all the bank loans of the Group, which were all obtained in PRC and denominated in RMB, are listed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year or on demand		
Bank loans – secured	**4,650**	4,650
Bank loans – unsecured	**21,153**	147,443
	25,803	152,093
After 1 year but within 2 years		
Bank loans – secured	**4,650**	4,650
After 2 years but within 5 years		
Bank loans – secured	**11,627**	13,951
After 5 years		
Bank loans – secured	**–**	2,495
	16,277	21,096
	42,080	173,189

30. BANK BORROWINGS *(continued)*

All of the non-current interest bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowing is expected to be settled within one year.

The directors consider the carrying value of the amounts at the end of the reporting period.

The ranges of effective interest rates on the Group's borrowings are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Effective interest rates:		
Bank loans – secured	**6.53%**	6.53%
Bank loans – unsecured	**9%**	4.62% – 5.58%
	per annum	per annum

The secured bank borrowings were secured by the Group's investment property with a carrying amount of approximately HK$73,959,000 (2009: HK$65,893,000).

31. DEFERRED TAXATION

a) The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follow:

	Group		
	Amortisation of Intangible assets-trademarks	**Revaluation of investment property**	**Total**
	HK$'000	HK$'000	HK$'000
Deferred tax arising from:			
At 1 January 2009	41,748	203	41,951
(Credited)/charged to profit or loss	(1,734)	1,983	249
Deferred tax liabilities arising on acquisition of subsidiaries	–	–	–
At 31 December 2009 and 1 January 2010	40,014	2,186	42,200
(Credited)/charged to profit or loss	(1,097)	2,017	920
Less: Disposal of subsidiaries *(Note 36)*	(38,917)	–	(38,917)
At 31 December 2010	–	4,203	4,203

31. DEFERRED TAXATION *(continued)*

b) Withholding tax

Pursuant to the new PRC EIT Law which took effect from 1 January 2009, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from 1 January 2009. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On 22 February 2009, Caishui (2009) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. Deferred tax liabilities of RMB9,154,000 have not been recognised, as the Company controls the dividend policy of the Group's PRC subsidiaries and it has been determined that it is probable that certain of the profits earned by these subsidiaries for the year from 1 January 2009 to 31 December 2010 will not be distributed in the foreseeable future.

c) Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has not recognised deferred tax assets in respect of the tax losses of HK$18,422,000 (2009: HK$20,844,000) due to the unpredictability of future profit streams. The unrecognised tax losses, mainly arising from Hong Kong companies, can be carried forward indefinitely.

32. SHARE CAPITAL

	2010		2009	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**4,000,000,000**	**400,000**	4,000,000,000	400,000
Issued and fully paid:				
At beginning of the year	**1,725,902,336**	**172,590**	1,725,902,336	172,590
Shares issued under share option scheme *(note a)*	**20,100,000**	**2,010**	–	–
At end of the year	**1,746,002,336**	**174,600**	1,725,902,336	172,590

a) On 29 September 2010 an 20 December 2010, options were exercised to subscribe for 20,100,000 ordinary shares in the company at a consideration of HK$2.76 million of which HK$2.01 million was credited to share capital and the balance of HK$0.75 million was credited to the share premium account. HK$2.4 million has been transferred from the share-based compensation reserve to the share premium account.

33. SHARE OPTIONS

Equity-settled share option schemes

Pursuant to an ordinary resolution passed on 19 March 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the directors of the Company were authorised to grant share options to full-time employees (including executive directors) of the Company or any of its subsidiaries to subscribe for shares in the Company.

On 7 June 2004, the Old Share Option Scheme was terminated and a new share option scheme ("New Share Option Scheme") was adopted. The purpose of the New Share Option Scheme is to enable the Company to grant option to eligible participants in order to reward or provide incentives to its employees or any person who has contributed or will contribute to the Group. The New Share Option Scheme shall continue in force for the period commencing from 7 June 2004 and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any options granted before its expiry or termination but not yet exercised.

Under the New Share Option Scheme, the directors of the Company may offer to any employees or any person who has contributions to the Group including directors of the Company or any of its subsidiaries share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares in respect of which share options may be granted under the New Share Option Scheme shall not, when aggregate with any shares subject to any other schemes, exceed such number of shares as represents 10% of the issued shares as at the date of approval of the New Share Option Scheme (the "Scheme Mandate Limit") which shall be equivalent to 67,725,155 shares. On 28 April 2005, the Scheme Mandate Limit was refreshed to 101,587,733 shares. The Company may seek approval from the shareholders in a general meeting to refresh the Scheme Mandate Limit. However, the total number of shares which may be issued upon exercise of all share options to be granted under all of the schemes of the Company or its subsidiaries under the limit as refreshed must not exceed 10% of the shares in issue as at the date of approval of the Scheme Mandate Limit. Share options previously granted under the New Share Scheme (excluding those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or any other share option schemes and exercised the share options) will not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not exceed 10% except seeking separate approval by its shareholders in general meeting for granting further options. Moreover in any case, must not exceed 30% of the total issued share capital from time to time.

The total number of shares issued and to be issued on the exercise of share options granted and to be granted in any 12-month period up to the date of grant of each eligible participant (including both exercised and outstanding options) shall not exceed 1% of the total issued shares.

33. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

On 17 May 2004 and 7 July 2004, 38,000,000 share options granted to the executive directors and 1,000,000 share options granted to the continuous contract employees outstanding under the Old Share Option Scheme were lapsed respectively.

On 10 January 2005, 2 February 2005 and 1 September 2005, the Company granted in aggregate 99,500,000 share options to its directors and employees under the New Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after date of grant of the share options to the half past-ninth anniversary of the date of grant.

On 4 October 2007, the Company granted 68,500,000 share options to its directors and employees under the New Share Option Scheme. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 by each of the grantees. The options may be exercised at any time after twelve months from the date of grant of the share options to the tenth anniversary of the date of grant.

On 22 October 2010, the Company granted 36,000,000 share options to the eligible grantees under the share option scheme of the Company adopted on 7 June 2004, subject to acceptance of the Grantees. The Share Options shall entitle the Grantees to subscribe for a total of 36,000,000 ordinary shares of HK$0.1 each in the share capital of the Company.

33. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

The following table discloses movements of the Company's share options granted under the New Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share HK$	Date of grant	Exercisable period	Contractual life of option
Directors	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
Employees	0.126	10 January 2005	10 January 2005 to 6 June 2014	9.5 years
	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years

a) The following table discloses movements of the Company's share options held by employees and directors during year.

Option type	Outstanding at 1/1/10 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/10 '000
2005	19,100	–	(19,100)	–	–	–
2007	68,500	–	–	(5,500)	–	63,000
2010	–	36,000	(1,000)	–	–	35,000
	87,600	36,000	(20,100)	(5,500)	–	98,000
Exercisable at the end of the year						98,000
Weighted average exercise price	HK$0.402	HK$0.359	HK$0.126	–	–	HK$0.442

33. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

a) *(continued)*

The following share options granted under the employee share option plan were exercised in the current year:–

Options type	Number exercised	Exercise date	Share price at exercise date
2005	19,100,000	29/9/1010	HK$0.31
2010	1,000,000	20/12/2010	HK$0.40
	20,100,000		

b) *Fair value of share options and assumptions*

The fair value of services received in return of share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Grand dates	Employee 10 January 2005	Director 4 October 2007	Employee 4 October 2007	Director 22 October 2007	Employee 22 October 2007
Fair value of share options and assumptions:					
Fair value at measurement date (HK$)	0.042	0.235	0.235	0.216	0.216
Share price (HK$)	0.131	0.470	0.470	0.355	0.355
Exercise price (HK$)	0.126	0.479	0.479	0.359	0.359
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial lattice model)	107.00%	68.60%	68.60%	103.93%	103.93%
Option life	9.5 years	10 years	10 years	10 years	10 years
Expected dividends	0%	0%	0%	0%	0%
Rick-free interest rate (based on Exchange Fund Notes)	3.52%	4.31%	4.31%	0.58%	0.58%
Expected forfeiture rate	0%	0%	0%	0%	0%

33. SHARE OPTIONS *(continued)*

Equity-settled share option schemes *(continued)*

b) *Fair value of share options and assumptions (continued)*

The expected volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

34. RESERVES

Group

			Other comprehensive income						
	Share premium	Share-based compensation reserve	Exchange fluctuation reserve	Fair value reserve	Statutory surplus reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	287,362	16,914	11,009	(7,043)	747	212,561	521,550	87,647	609,197
Exchange adjustment	–	–	183	–	–	–	183	175	358
Fair value adjustment for available-for-sale financial assets	–	–	–	16,057	–	–	16,057	–	16,057
Profit for the year	–	–	–	–	–	26,303	26,303	16,311	42,614
Transfer to reserve	–	–	–	–	357	(207)	150	83	233
At 31 December 2009 and 1 January 2010	287,362	16,914	11,192	9,014	1,104	238,657	564,243	104,216	668,459
Share issued under share option scheme	3,125	(2,369)	–	–	–	–	756	–	756
Decrease in non-controlling interests arising on disposal of interest in KPIRM	–	–	–	–	–	–	–	(103,626)	(103,626)
Decrease in exchange fluctuation reserve arising on disposal of interest in KPIRM	–	–	(7,335)	–	–	–	(7,335)	–	(7,335)
Decrease in statutory surplus reserve arising on disposal of interest in KPIRM	–	–	–	–	(493)	–	(493)	–	(493)
Equity settled share-based transactions	–	7,788	–	–	–	–	7,788	–	7,788
Exchange adjustment	–	–	7,639	–	–	–	7,639	932	8,571
Profit for the year	–	–	–	–	–	25,355	25,355	6,791	32,146
Fair value adjustment for financial assets	–	–	–	(6,724)	–	–	(6,724)	–	(6,724)
At 31 December 2010	**290,487**	**22,333**	**11,496**	**2,290**	**611**	**264,012**	**591,229**	**8,313**	**599,542**

34. RESERVES *(continued)*

Company

	Share premium HK$'000	Share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2009	287,362	16,914	85,220	389,496
Issue of new shares	–	–	–	–
Employee share option benefits	–	–	–	–
Profit for the year	–	–	(11,103)	(11,103)
At 31 December 2009 and 1 January 2010	287,362	16,914	74,117	378,393
Share issued under share option scheme	3,125	(2,369)	–	756
Equity settled share-based transactions	–	7,788	–	7,788
Profit for the year	–	–	2,542	2,542
At 31 December 2010	**290,487**	**22,333**	**76,659**	**389,479**

At 31 December 2010, the Company has reserve available for distribution to shareholders as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance at HK$76,659,000 (2009: HK$74,117,000).

Nature and purpose of reserves

i) Share premium

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

ii) Share-based compensation reserve

The share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of a subsidiary recognised in accordance with the accounting policy adopted for share-based payments set out in note 2(w)(ii).

iii) Exchange fluctuation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(p).

34. RESERVES *(continued)*

Nature and purpose of reserves *(continued)*

iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(k).

v) Statutory surplus reserve

According to the Company's PRC subsidiaries' articles of association, the PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

35. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

36. DISPOSAL OF A SUBSIDIARY

On 19 August 2010, the Group disposed of KPIRM, Bestjoy International Limited and Hualian GMS which carried out the entire supermarket operations.

	2010 **HK$'000**
Consideration received	
Total consideration received in cash and cash equivalents	503,912

Analysis of asset and liabilities over which control was lost

	19 August **2010** HK$'000
Non-current assets	
Property, plant and equipment	71,030
Intangible assets *(note 16)*	155,669
Long term lease prepayment	7,596
Goodwill *(note 18)*	377,972
Current assets	
Inventories	112,056
Prepayment and other receivables	381,751
Cash and cash equivalents	621,678
Current liabilities	
Trade payables	(504,235)
Other payables, deposit received and accruals	(502,839)
Tax payables	(1,001)
Short term bank loans	(57,314)
Non-current liabilities	
Deferred taxation *(note 31(a))*	(38,917)
Net assets disposed of	623,446

36. DISPOSAL OF A SUBSIDIARY *(continued)*

Loss on disposal of a subsidiary

	Year ended 31 December 2010 HK$'000
Consideration received and receivable	503,912
Net assets disposed of	(623,446)
Non-controlling interests	103,626
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss of control of subsidiary	493
Cumulative statutory surplus reserve in respect of the net assets on loss of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiary	7,335
Loss on disposal *(Note 9)*	(8,080)

The loss on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income *(see Note 9)*.

Net cash inflow on disposal of a subsidiary

	2010 HK$'000
Consideration received	503,912
Less: Cash and cash equivalent balances disposed of	(621,678)
	(117,766)

37. OPERATING LEASE ARRANGEMENTS

a) As lessor

The Group leases its investment property (note 15 to the financial statements), sub-lease its shop premises of convenience stores chain operations and golf club membership under operating lease arrangements, with leases negotiated for terms of one to fifteen years for investment property, one to ten years for shop premises of convenience stores chain operations and one to two years for golf club membership. The terms of the leases generally also require the lessees to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**8,858**	32,297
In the second to fifth years, inclusive	**14,484**	61,090
After the fifth year	**10,126**	13,937
	33,468	107,324

b) As lessee

The Group leases certain of its office properties, director's quarter and shop premises of convenience stores chain operations under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**11,882**	103,830	**1,510**	2,257
In the second to fifth years, inclusive	**15,492**	364,697	**727**	2,227
After the fifth year	**10,126**	439,635	**–**	–
	37,500	908,162	**2,237**	4,484

38. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

a) Related party transactions included in the statement of comprehensive income:

	2010 HK$'000	2009 HK$'000
Rental expenses to a company controlled by directors *(note i)*	**332**	996

Note:

i) Rental expenses for two directors were paid to a company controlled by them. The monthly rental of HK$83,000 was calculated by reference to open market rental. The rental expenses were fully settled up to 30 April 2010.

b) Compensation of key management personnel of the Group

	2010 HK$'000	2009 HK$'000
Salaries, allowances and other benefits	**3,512**	3,060
Pension scheme contribution	**12**	12
Share-based payments expenses	**216**	–
	3,740	3,072

Note: Further details of pension scheme contribution and directors' emoluments are included in note 7 to the financial statements.

39. BANKING FACILITIES

During 2010, the Group was granted banking facilities aggregating to approximately HK20,927,000 (2009: HK$173,189,000), which is secured by an investment property *(note 15)*. At 31 December 2010, the banking facilities were fully utilised.

40. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) Impairment of property, plant and equipment and land lease premium

The recoverable amount of an asset is the higher of its net selling price 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 assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

ii) Estimated fair value of investment property

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

iii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the accounts receivables and other receivables, where applicable, at each end of the reporting period. The estimates are based on the aging of the accounts receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

40. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

iv) Estimated fair value of available-for-sale financial assets

The fair value of financial instruments in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the closing bid price at the end of the reporting period.

The fair value of financial instruments that are not traded in active market is determined based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each end of the reporting period.

v) Write down of inventories

The management of the Group reviews its inventories at each end of the reporting period and write down inventories to net realisable value. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each statement of financial position date and make allowance for obsolete items.

vi) Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance, changes in operational and financing cashflows.

vii) Acquired intangible assets

Acquired intangible assets are trademarks for supermarkets and convenience chain stores operations. They are amortised over their estimated useful lives. The valuation and estimated useful lives of trademarks is dependent on a number of assumptions and judgements, such as expected cash flows, customer attrition, and royalty rates, variations in which could produce different values and/or useful lives.

40. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

a) Key sources of estimation uncertainty *(continued)*

viii) Income taxes

As at 31 December 2010, no deferred tax asset (2009: Nil) in relation to unused tax losses HK$18,442,000 (2009: HK$20,844,000) has been recognised in the Group consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Certain available-for-sale financial assets are stated at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry and sector performance and financial information regarding the investee are taken into account.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include equity investments, borrowings, trade receivable and accounts payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

i) As at 31 December 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

a) Credit risk *(continued)*

ii) In respect of accounts receivable, other receivables and short term loans receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of accounts receivable and other receivables. Debts are usually due within 30 days from the date of billing. In addition, the management of the Group reviews the recoverable amount of each individual short term loans receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group and the Company's credit risk is significantly reduced.

iii) In respect of accounts receivable, other receivables and short term loans receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had no significant concentrations of credit risk which individual accounts receivable, other receivables and short term loans receivables balance exceeds 10% of the total accounts receivable, other receivables and short term loans receivables at the end of the reporting period.

iv) The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. No exposure to credit risk is expected.

v) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising accounts and other receivables are set out in notes 20, 21 and 24.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

b) Liquidity risk

The Group is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a significant source of liquidity.

The following liquidity table set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the statement of financial position date) and the earliest date the Group and the Company required to pay:

Group

	2010					2009					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liability											
Bank and other borrowings											
– variable rates	25,803	4,954	14,056	44,813	42,080	159,987	4,882	17,805	3,344	186,018	173,189
Account and other payables	63,805	–	–	63,805	63,805	1,029,827	–	–	–	1,029,827	1,029,827
	89,608	4,954	14,056	108,618	105,885	1,189,814	4,882	17,805	3,344	1,215,845	1,203,016

Company

	2010				2009			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liability								
Other payables	571	–	571	571	138	–	138	138

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 30 for details of these borrowings)

i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period:

	Group			
	2010		2009	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000
Variable rate Borrowings: Bank loans	**6.53%**	**42,080**	7.20%	173,189
Variable rate bank balances and deposit	**0.36%**	**339,954**	0.74%	649,862

ii) Sensitivity analysis

All of the bank loans of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank balances and deposits and bank borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$1,154,000 (2009: HK$1,299,000). Other components of consolidated equity would not change in response to the general increase / decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2009.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

d) Currency risk

i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The currency giving rise to this risk is primarily United States dollars. The Company does not expose to material currency at the end of the reporting period.

Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)	
	United States dollars	
	2010 '000	2009 '000
Cash and cash equivalents	**164,952**	919

ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits in response to reasonably possible changes in the foreign exchange rate to which the Group has significant exposure at the end of the reporting period.

	2010		2009	
	Increase/ (decrease) in foreign exchange rate	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits HK$'000
United States dollars	**5%**	**6,186**	5%	38
	(5)%	**(6,186)**	(5)%	(38)

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

d) Currency risk *(continued)*

ii) Sensitivity analysis (continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for both derivative and non derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the next end of annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2009.

iii) RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating subsidiaries of the Company are transacted in RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss *(see note 22)* and available-for-sale investments *(see note 19)*.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

e) Equity price risk *(continued)*

The Group's listed investments are listed on the recognised stock exchanges. Decisions to buy or sell financial assets at fair value through profit or loss 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. Listed 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 portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

At 31 December 2010, it is estimated that an increase/(decrease) of 10% (2009: 10%) in the relevant stock market index (for listed investments), the price/earning ratios of comparable listed companies (for unquoted investments) as applicable, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profit as follows:

Group

	2010		2009	
		Effect on profit after tax and retained profits HK$'000		Effect on profit after tax and retained profits HK$'000
Change in the relevant equity price risk variable:				
Increase	**10%**	**6,723**	10%	3,390
Decrease	**(10)%**	**(6,723)**	(10)%	(3,390)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the group's available-for-sale investments would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2009.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

f) Fair values

i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market date

	2010				2009			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets								
Financial assets at fair value through profit or loss	**35,558**	**–**	**–**	**35,558**	2,623	–	–	2,623
Available-for-sale investment	**44,961**	**–**	**–**	**44,961**	34,831	–	–	34,831
	80,519	**–**	**–**	**80,519**	37,454	–	–	37,454

During the year there were no significant transfers between instruments in Level 1 to Level 2 or Level 3.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

f) Fair values *(continued)*

ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2010.

g) Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings divided by total equity as shown in the consolidated statement of financial position. The gearing ratios as at 31 December 2010 and 2009 were as follows:

	Group		**Company**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Interest-bearing bank loans	**42,080**	173,189	**–**	–
Total borrowings	**42,080**	173,189	**–**	–
Total equity	**774,142**	841,049	**564,079**	550,983
Gearing ratio	**5.44%**	20.59%	**N/A**	N/A

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

i) Listed securities

Fair value is based on listed market price at the end of the reporting period without any deduction for transaction costs.

ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

42. ULTIMATE CONTROLLING PARTY

The directors regard Mr. Cheung Siu Lam through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

43. COMPARATIVE FIGURES

As a result of the amendments of HKAS 17, Leases, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 2.

44. EVENTS AFTER THE REPORTING PERIOD

a) Acquisition of subsidiaries

On 27 January 2011, a wholly owned subsidiary of the Company has entered an acquisition agreement with the controlling shareholder, Mr Cheung Siu Lam, to acquire the entire issued share capital of K.P. Financial Group Limited which indirectly has beneficial interests in 70% of the equity interests in Beijing Huifeng Rongjin Credit Finance Company Limited and 100% of the equity interests in Beijing Huaxia Xingye Investment Guarantee Company Limited. The Company decides to acquire the above mentioned companies in order to stay focus on providing small loans, loan guarantee, entrusted loans and consultancy services to meet immediate financing needs of customers in PRC. With the amount of cash available and there is a huge demand for funding in the private enterprises sector in the PRC, the management believes it would be a great opportunity to build a platform to meet a wide range of customer needs.

b) Change of Company Name

In the announcement on 7 March 2011, the Board announces that it intended to put forward a proposal to the shareholders to change the name of the Company from "K.P.I. Company Limited 港佳控股有限公司" to "China Financial Services Holdings Limited 中國金融投資管理有限公司".

FINANCIAL SUMMARY

For the year ended 31 December 2010

SUMMARY FINANCIAL INFORMATION

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

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**217,022**	2,073,083	1,777,062	662,288	392,413
Profit/(loss) for the year	**32,146**	42,614	255,874	6,317	2,315
Attributable to:					
Owners of the Company	**25,355**	26,303	247,686	6,330	2,316
Non-controlling interest	**6,791**	16,311	8,188	(13)	(1)
	32,146	42,614	255,874	6,317	2,315

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**885,740**	2,087,814	1,821,954	715,097	555,185
Total liabilities	**(111,598)**	(1,246,765)	(1,040,167)	(327,365)	(364,803)
Non-controlling interest	**(8,313)**	(104,216)	(87,647)	(9,710)	(9,723)
Balance of total equity attributable to owners of the Company	**765,829**	736,833	694,140	378,022	180,659