Nanyang Holdings Limited

(incorporated in Bermuda with limited liability) Stock Code: 212

2010

ANNUAL REPORT

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Corporate Information

Directors

\# Rudolf Bischof (Chairman)
Yun Cheng Wang (Senior Managing Director)
Hung Ching Yung, JP (Managing Director)
Lincoln C. K. Yung, JP (Deputy Managing Director)
\# James Julius Bertram
\# Robert Tsai To Sze
Jennie Chen

\# *Independent non-executive directors*

Company Secretary

John Barr

Registrars and Transfer Agent

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM 11
Bermuda

Branch Registrars and Registration Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Bankers

The Hongkong & Shanghai Banking Corporation Ltd
Shanghai Commercial Bank Ltd

Solicitors

Mayer Brown JSM

Group Financial Highlights

	2010 HK$'000	2009 HK$'000	Variance
Revenue	134,559	107,263	25%
Profit attributable to equity holders of the Company before taking into account changes in fair value of investment properties and related tax effects	67,471	44,395	52%
Add: Changes in fair value of investment properties and related tax effects	48,457	19,774	145%
Profit attributable to equity holders of the Company	115,928	64,169	81%
Total equity	2,455,776	1,794,815	37%

	2010 HK$	2009 HK$	
Earnings per share before taking into account changes in fair value of investment properties and related tax effects	1.61	1.06	52%
Add: Changes in fair value of investment properties and related tax effects per share	1.16	0.47	147%
Earnings per share	2.77	1.53	81%
Final dividend per share	0.40	0.40	–
Special dividend per share	0.40	0.15	167%
Dividend per share	0.80	0.55	45%
Net asset value per share	59.36	42.71	39%

FIVE YEAR SUMMARY

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Consolidated Income Statement					
Revenue	134,559	107,263	(29,805)	113,755	120,892
Operating profit/(loss)	139,864	76,866	(100,074)	176,833	145,780
Finance costs	(352)	(25)	(1,483)	(4,685)	(1,609)
Share of (losses)/profits of jointly controlled entities	(47)	(5,033)	(21,982)	10,387	8,714
Profit/(loss) before income tax	139,465	71,808	(123,539)	182,535	152,885
Income tax (expense)/credit	(23,537)	(7,639)	8,456	(23,343)	(15,496)
Profit/(loss) attributable to equity holders of the Company	115,928	64,169	(115,083)	159,192	137,389
Dividends paid	23,114	8,405	21,668	30,817	15,468
Consolidated Balance Sheet					
Property, plant and equipment	1,528	1,948	2,394	2,809	3,207
Investment properties	1,081,920	999,900	978,700	998,400	885,600
Jointly controlled entities	176,455	173,535	179,774	197,833	109,038
Available-for-sale financial assets	1,140,386	510,774	367,471	472,173	416,780
Deferred income tax assets	506	106	106	115	117
Derivative financial instruments, net	(192)	350	–	–	–
Other non current asset	–	62,766	–	–	–
Net current assets	207,363	182,798	195,818	331,402	393,618
Deferred income tax liabilities	(152,190)	(137,362)	(130,956)	(141,228)	(120,553)
Net assets	2,455,776	1,794,815	1,593,307	1,861,504	1,687,807
Share capital	4,137	4,202	4,202	4,346	4,419
Reserves	2,451,639	1,790,613	1,589,105	1,857,158	1,683,388
Total equity	2,455,776	1,794,815	1,593,307	1,861,504	1,687,807

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Nanyang Holdings Limited will be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 20th May 2011 at 12:00 noon for the following purposes:–

1. To receive and consider the reports of the Directors and the Auditors together with the Statement of Accounts for the year ended 31st December 2010;

2. To approve the payment of a final dividend and a special dividend;

3. To re-elect Directors;

4. To approve that with retrospective effect from 1st January 2011, the remuneration of the Independent Non-Executive Directors be increased to the amounts as follows:

   - the Independent Non-Executive Director who serves as Chairman of the Board – HK$360,000 per annum

   - the Independent Non-Executive Director who serves as Chairman of the Audit Committee – HK$360,000 per annum

   - the Independent Non-Executive Director who serves as Chairman of the Remuneration Committee – HK$300,000 per annum

5. To re-appoint Auditors and fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following Resolutions:

As Ordinary Resolutions:–

6. THAT:

   (a) subject to paragraph (b) below the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;

(b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;

(c) for the purposes of this Resolution "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next Annual General Meeting of the Company; and

(ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

7. THAT:

(a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company, shall not exceed the aggregate of (aa) 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next Annual General Meeting of the Company; and

(ii) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

8. THAT the Directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 7 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.

By Order of the Board

John Barr
Company Secretary

HONG KONG, 14th March 2011

Notes:

1. The register of members of the Company will be closed from 13th May 2011 to 20th May 2011, both days inclusive. To qualify for the final and special dividends, transfers should be lodged with the Company's branch registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 12th May 2011.

2. A member entitled to attend, act and vote is entitled to appoint one or more proxies to attend, act and vote instead of him. A proxy need not be a member of the Company. To be valid, an instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, and in default thereof the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.

   Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned, and in such event the instrument appointing a proxy shall be deemed to be revoked.

3. Corporate representatives shall before the meeting commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

   If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 2 above shall be applicable.

4. In relation to the general mandate referred to in Resolution 7 above, the Directors have no specific proposal in mind but wish to be in a position to take advantage of any opportunities which may arise.

5. The Chairman will demand that each of the resolutions set out in the notice of this meeting be voted on by poll.

Rudolf Bischof

Chairman, Independent Non-Executive Director, Member of Remuneration Committee and Member of Audit Committee

Mr. Rudolf Bischof, aged 69, was appointed a Director of the Company in March 1998 and became Chairman in August 2003. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York. He has also been a Non-Executive Director of CLP Holdings Limited (retired on 1st April 2010) during the past three years.

Yun Cheng Wang

Senior Managing Director and Member of Remuneration Committee

Mr. Yun Cheng Wang, aged 100, has been the Managing Director of Nanyang Cotton Mill Ltd. since he founded the Company in 1947. He was educated in the U.S. and graduated from Lowell Textile Institute with the degree of Bachelor of Textile Engineering with the highest honor of scholarship. He started his career in 1931 by managing two cotton mills in Shanghai. During and immediately after the Japanese occupation, he built two more modern cotton and woollen mills and also garment factories. His venture extended out to several overseas countries. For Nanyang Cotton Mill, he, with approval of the Board, formed a joint-venture with Japanese to start a complete plant for synthetic filament texturizing for the production of warpknit suiting material which was then a fashionable and hot item in the U.S. market. Later, he also initiated and, with the enthusiastic support of the then Chairman of Nanyang, (the late) Sir Lawrence Kadoorie (subsequently Lord Kadoorie), established jointly with Japanese a dyeing and printing factory which greatly benefited the garment industry and was well known in Hong Kong. In 1978, he developed Hong Kong's first production of denim fabric which became the mainstay of Nanyang's textile manufacturing operation. It was later transferred to Shanghai Sung Nan Textile Co. Ltd., a Nanyang controlled and managed joint-venture. In Hong Kong, he served as a member of The Textile Advisory Board for 6 years. He was a Director of China Light & Power Co., Ltd. (now known as CLP Power Hong Kong Ltd.) for 32 years, from 1960 to 1992, and also one of the founding Directors of Tai Ping Carpets International Limited from its inception until the restructuring of the company. He is the brother-in-law of Mr. Hung Ching Yung.

Hung Ching Yung, JP
Managing Director, and Member of Remuneration Committee

Mr. Hung Ching Yung, aged 88, has been the Managing Director of the Company for 64 years since it was founded in 1947. He studied in St. John's University and graduated from the University of Shanghai. He is now the Chairman of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan. He is also a Director of Shanghai Sung Nan Textile Co. Ltd., Shanghai Commercial Bank Ltd. in Hong Kong, Paofoong Insurance Company (Hong Kong) Ltd., and The Wing On Enterprises, Ltd. He was the Founder of the Hong Kong Cotton Spinners Prevocational School and has been an Advisor of the Tung Wah Group of Hospitals since 1956 until now. He is the father of Mr. Lincoln C. K. Yung.

Lincoln Chu Kuen Yung, JP
Deputy Managing Director

Mr. Lincoln Yung, aged 65, has been a Director of the Company for 34 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from the University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. Mr. Yung is currently the Chairman and Non-Executive Director of Shanghai Commercial Bank Limited and Paofoong Insurance Company (Hong Kong) Limited. He is also an Independent Director of Tai Ping Carpets International Limited, a Director of The Shanghai Commercial & Savings Bank, Ltd. and Non-Executive Vice-Chairman of Shanghai Sung Nan Textile Co. Ltd. and Southern Textile Co. Ltd. He is the son of Mr. Hung Ching Yung.

James Julius Bertram
Independent Non-Executive Director, Chairman of Remuneration Committee and Member of Audit Committee

Mr. James Bertram, aged 66, was appointed a Director of the Company in August 2003. He was educated in the United Kingdom where he was admitted as a solicitor in 1970. In 1971 he was admitted as a solicitor in Hong Kong since when he has practised as a solicitor with Deacons where he was Senior Partner from 1988 to 2000. He is currently employed by Deacons as a consultant.

Robert Tsai To Sze

Independent Non-Executive Director, Chairman of Audit Committee and Member of Remuneration Committee

Mr. Robert Sze, aged 70, was appointed a Director of the Company in August 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he had practised for over 20 years. He is an Independent Non-Executive Director of a number of Hong Kong listed companies, namely Asia Satellite Telecommunications Holdings Limited, China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited, QPL International Holdings Limited and SW Kingsway Capital Holdings Limited.

Jennie Chen

Director and Financial Controller

Ms. Jennie Chen, aged 55, was appointed a Director of the Company in September 2003. She was initially hired as the Financial Controller and has been with the Company for 25 years. She has experience in accountancy, finance and investment, and the textile industry. Ms. Chen graduated from the University of Toronto.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December 2010.

Principal Activities and Segment Analysis of Operations

The principal activity of the Company is investment holding. The activities of its jointly controlled entities and subsidiaries are shown in Notes 17 and 35 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December 2010 are set out in the consolidated income statement on page 28.

The Directors recommend the payment of a final dividend of HK$0.40 per share and a special dividend of HK$0.40 per share, representing a total dividend distribution of approximately HK$33.1 million. Subject to the approval at the Annual General Meeting, the final and special dividends will be paid on 20th May 2011.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 25 to the financial statements.

Donations

Donations made by the Group during the year amounted to HK$55,000 (2009: HK$500).

Distributable Reserves

Distributable reserves of the Company at 31st December 2010, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$364,191,000 (2009: HK$370,671,000).

Fixed Assets

Details of the movements in property, plant and equipment, and investment properties of the Group are set out in Notes 14 and 15 to the financial statements respectively.

Principal Properties

Details of the principal properties of the Group are set out on page 98.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 24 of the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 10 to 12.

Mr. Rudolf Bischof retires by rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

Mr. Yun Cheng Wang and Mr. Robert Tsai To Sze retire voluntarily in accordance with the Company's Code on Corporate Governance Practices and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests

As at 31st December 2010, the interests of the Directors and chief executive in the shares of the Company as recorded in the Register of Directors'/Chief Executive's Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

	Shares of HK$0.10 each of the Company				
Name	Personal interests	Family interests	Corporate interests	Total	% of issued share capital
Yun Cheng Wang	1,691,294	982,652	–	2,673,946	6.46%
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	39.23%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	5.44%
Rudolf Bischof	150,000	–	–	150,000	0.36%

Note: As stated below, Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc, pursuant to the SFO.

Directors' Interests *(cont'd)*

During the year, the Company has not granted to any Directors, chief executive or their respective spouses or children under 18 years of age any rights to subscribe for shares of the Company.

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

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31st December 2010, the Register of Substantial Shareholders' Interests and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	Number of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	13.29%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

Purchase, Sale or Redemption of Shares

During the year, the Company repurchased 654,000 of its shares on The Stock Exchange of Hong Kong Limited, all of which have been cancelled. The Directors believe that share buybacks will be beneficial to the shareholders as the shares are traded at a discount to the net asset value per share. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares purchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate price HK$
2010				
September	654,000	16.32	16.10	10,540,440

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

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

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	70%
– five largest suppliers combined	88%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 15% and 28% of the Group's total income from investment properties for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related Party Transactions

Details of related party transactions are set out in Note 34 to the financial statements. None of the transactions constitute a connected transaction as defined in the Listing Rules.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 14th March 2011.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Rudolf Bischof
Chairman

14th March 2011

Corporate Governance Report

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Without the prior knowledge of a Director, his associate (as defined under the Listing Rules) has dealt in the shares of the Company without obtaining the permission to deal from the Chairman. The Director reported to the Company as soon as he became aware of the fact. He has also reminded his associate not to deal in the shares of the Company without complying with the notification and other requirements of the Model Code. Save as disclosed, the Directors have complied with the standard set out in the Model Code throughout the year ended 31st December 2010.

Board of Directors

The Board of Directors (the "Board") of the Company provides leadership and supervises the overall direction of the Group's businesses. The day-to-day management however has been delegated to the Executive Directors.

The Board comprises of seven Directors; four Executive Directors and three Independent Non-Executive Directors. One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided on a timely manner. The Company Secretary keeps the minutes of Board meetings.

Board of Directors *(cont'd)*

The Board met four times in 2010. Attendance of individual Directors is listed below:

		Attendance
Executive Directors		
Mr. Yun Cheng Wang	Senior Managing Director	4/4
Mr. Hung Ching Yung, JP	Managing Director	4/4
Mr. Lincoln C.K. Yung, JP	Deputy Managing Director	4/4
Ms. Jennie Chen	Director	4/4
Independent Non-Executive Directors		
Mr. Rudolf Bischof	Chairman of the Board	4/4
Mr. James Julius Bertram	Director	3/4
Mr. Robert Tsai To Sze	Director	4/4

Mr. Rudolf Bischof is the Chairman of the Board and an Independent Non-Executive Director. Mr. Hung Ching Yung is the Chief Executive Officer of the Group.

Mr. Yun Cheng Wang is the brother-in-law of Mr. Hung Ching Yung and Mr. Hung Ching Yung is the father of Mr. Lincoln C.K. Yung.

The Independent Non-Executive Directors are appointed for a specific term and are subject to retirement by rotation.

Remuneration Committee

The Remuneration Committee was established by the Board on 25th May 2005. The Committee consists of the three Independent Non-Executive Directors, the Senior Managing Director and the Managing Director.

The Committee met once in 2010. Attendance of individual Directors is listed below:

	Attendance
Mr. James Julius Bertram – Chairman of the Remuneration Committee	1/1
Mr. Rudolf Bischof	1/1
Mr. Yun Cheng Wang	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Robert Tsai To Sze	1/1

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Directors or any of his/her associates is involved in deciding his/her own remuneration.

Auditor's Remuneration

For the year ended 31st December 2010, fees payable to the auditors of the Group for audit and non-audit services amounted to HK$1,046,000 and HK$626,000 respectively.

Audit Committee

The Audit Committee was established by the Board on 25th September 1998. The Committee consists of the three Independent Non-Executive Directors, Mr. Robert Tsai To Sze FCA, FCPA, Mr. Rudolf Bischof and Mr. James Julius Bertram.

The Committee met twice in 2010. Attendance of individual Directors is listed below:

	Attendance
Mr. Robert Tsai To Sze FCA, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	2/2
Mr. James Julius Bertram	1/2

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provision C3.3 (the "Code Provision") of the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules, written terms of reference (the "Terms") which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30th June 2005. The amendments to the Code Provision which became effective on 1st January 2009 were adopted and incorporated in the Terms by the Board of the Company on 15th April 2009. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures.

During 2010, the Audit Committee met to review the 2009 annual report and accounts and the 2010 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence and reported to the Board.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the Executive Directors.

Audit Committee *(cont'd)*

During the year, independent consultants were hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high-level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner.

The Auditors' Report to the shareholders states the auditors' reporting responsibilities.

On behalf of the Board

Rudolf Bischof
Chairman

14th March 2011

The Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2010 the Group reported a profit after taxation of HK$115.9 million (2009: profit of HK$64.2 million). This is due mainly to dividend income from The Shanghai Commercial & Savings Bank, Ltd. and rental income from Nanyang Plaza. The Group valued its investment properties at fair value and the gain was recognised in the income statement. The change in fair value of investment properties (including that owned by a jointly controlled entity) resulted in a net gain of HK$48.5 million (2009: HK$19.8 million) to the Group. Excluding the net effect from revaluing the investment properties at fair value, the net profit of the year would be HK$67.5 million (2009: profit of HK$44.4 million). Earnings per share were HK$2.77 (2009: HK$1.53). The Group's net asset value per share increased from HK$42.71 (at 31/12/2009) to HK$59.36 (at 31/12/2010), representing an increase of 39%.

The Directors recommend the payment of a final dividend of HK$0.40 per share and a special dividend of HK$0.40 per share, representing a total dividend distribution of approximately HK$33.1 million (2009: final dividend of HK$0.40 per share and a special dividend of HK$0.15 per share, representing a total dividend distribution of HK$23.1 million).

Textile Operations

In 2010, Shanghai Sung Nan Textile Company Limited ("Sung Nan"), the Group's 65% joint venture, sold its textile production machinery and equipment. During the year, Sung Nan reached an agreement with the Taicang local government authorities to assign the project at the industrial site in Taicang, Jiangsu Province, to another investor. We shall continue to monitor the situation.

Southern Textile Company Limited, the Group's 45% joint venture in Shenzhen, continued to perform satisfactorily. Its main asset, a factory building which is leased to third parties, is almost fully occupied.

Real Estate

Due to sustained growth of economic activities in the local economy, take-up rate and rental levels in the Central Business District improved. Occupancy and rental rates at our building in Kwun Tong have increased slightly. We are offering competitive leasing packages with incentives to retain tenants and to attract new ones. Of the 290,000 sq.ft. of industrial/office space the Group holds at Nanyang Plaza, 92.1% is presently leased.

Leasing activities of the commercial property, in the Jingan District in Shanghai, which the Group owned 33%, continued to be satisfactory. The building, which has a total leasable area of 23,500 sq.m., 97.6% is presently leased.

Financial Investments Review and Prospects

In the second half of 2010, equity markets improved. For the year ended 31st December 2010, our investment portfolios showed a positive return of 7.2% and the market value was US$33.9 million or approximately HK$263.9 million.

Since the beginning of 2011, the US market trended higher and we gradually increased US equities. Emerging markets which performed well last year, were in a correction mode as their governments increased interest rates to cool off the economy. Commodity prices, particularly agricultural products, continued to rise due to extreme weather conditions. Towards the end of February, however, world financial markets were affected by turmoil in the Middle East, which led to a spike in oil prices. As at 28th February 2011, the portfolios increased by 1.2% and their values stood at US$34.3 million or approximately HK$267.0 million. Equities comprised 48.9% (of which 31.8% was in US equities), 22.7% was in bonds, 3.9% in alternative investments, 7.4% in commodities and 17.1% in cash.

If the recent rise in oil prices is only temporary, it will not have a severe impact on the global economy. However, if high oil prices persist, it will derail the fragile global recovery as governments may have to increase interest rates sooner to fight inflation. This could create volatility in the equity markets and affect the performance of our portfolios.

Financial Position

The Group's investment properties with a value of HK$1,016.0 million (31/12/2009: HK$975.0 million) have been used to secure general banking facilities of which HK$5.0 million (2009: HK$9.0 million) is being utilised as a guarantee to a jointly controlled entity. As at 31st December 2010, HK$30.0 million (31/12/2009: HK$50.0 million) of these facilities had been utilised. At the end of the year, the Group had net current assets of HK$207.4 million (31/12/2009: HK$182.8 million).

Employees

The Group employed 18 employees as at 31st December 2010. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries and discretionary bonuses are reviewed annually. The Group also provides other benefits including medical cover and provident funds.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their contribution to the Group.

Rudolf Bischof
Chairman

14th March 2011

Independent Auditor's Report to The Shareholders of Nanyang Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nanyang Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 97, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 31st December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14th March 2011

Consolidated Income Statement

For the Year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	134,559	107,263
Direct costs	6	(11,897)	(11,157)
Gross profit		122,662	96,106
Administrative expenses	6	(36,346)	(37,475)
Other operating income	7	1,031	739
Other operating expenses	6	(3,753)	(3,704)
Changes in fair value of investment properties		56,270	21,200
Operating profit		139,864	76,866
Finance costs	9	(352)	(25)
Share of profits less losses of jointly controlled entities	17	(47)	(5,033)
Profit before income tax		139,465	71,808
Income tax charge	10	(23,537)	(7,639)
Profit attributable to equity holders of the Company		115,928	64,169
Earnings per share (basic and diluted)	12	HK$2.77	HK$1.53
Dividends	13	33,097	23,114

The notes on pages 36 to 97 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	115,928	64,169
Other comprehensive income:		
Fair value gains on available-for-sale financial assets	549,196	144,231
Fair value gains on property credited to equity upon reclassification of property from an owner-occupied property to an investment property, net of tax	22,360	–
Currency translation differences	7,131	1,513
Other comprehensive income for the year	578,687	145,744
Total comprehensive income attributable to equity holders of the Company	694,615	209,913

The notes on pages 36 to 97 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,528	1,948
Investment properties	15	1,081,920	999,900
Jointly controlled entities	17	176,455	173,535
Available-for-sale financial assets	19	1,140,386	510,774
Derivative financial assets	20	145	398
Deferred income tax assets	28	506	106
Prepayment for investment	21	–	62,766
		2,400,940	1,749,427
Current assets			
Trade and other receivables	21	9,754	7,170
Financial assets at fair value through profit or loss	22	216,636	198,126
Tax recoverable		1,357	651
Cash and cash equivalents	23	55,276	70,247
		283,023	276,194
Total assets		2,683,963	2,025,621
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	24	4,137	4,202
Other reserves	25	1,053,958	474,889
Retained profit	25	1,397,681	1,315,724
Total equity		2,455,776	1,794,815

Consolidated Balance Sheet *(cont'd)*

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	152,190	137,362
Derivative financial liabilities	20	337	48
		152,527	137,410
Current liabilities			
Trade and other payables	26	45,660	43,396
Short-term bank loans	27	30,000	50,000
		75,660	93,396
Total liabilities		228,187	230,806
Total equity and liabilities		2,683,963	2,025,621
Net current assets		207,363	182,798
Total assets less current liabilities		2,608,303	1,932,225

The notes on pages 36 to 97 are an integral part of these financial statements.

The financial statements on pages 28 to 97 were approved by the Board of Directors on 14th March 2011 and were signed on its behalf.

Yun Cheng Wang
Director

Hung Ching Yung
Director

Balance Sheet

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	16	378,782	378,782
Current assets			
Trade and other receivables	21	17,124	11,216
Cash and cash equivalents	23	1,608	1,638
		18,732	12,854
Total assets		397,514	391,636
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	24	4,137	4,202
Other reserves	25	357,104	357,039
Retained profit	25	7,087	13,632
Total equity		368,328	374,873
LIABILITIES			
Current liabilities			
Trade and other payables	26	29,186	16,763
Total equity and liabilities		397,514	391,636
Net current liabilities		(10,454)	(3,909)
Total assets less current liabilities		368,328	374,873

The notes on pages 36 to 97 are an integral part of these financial statements.

The financial statements on pages 28 to 97 were approved by the Board of Directors on 14th March 2011 and were signed on its behalf.

Yun Cheng Wang
Director

Hung Ching Yung
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Balance at 1st January		1,794,815	1,593,307
Comprehensive income:			
Profit for the year		115,928	64,169
Other comprehensive income:			
Fair value gains on available-for-sale financial assets	25	549,196	144,231
Fair value gain on property credited to equity upon reclassification of property from an owner-occupied property to an investment property, net of tax	25	22,360	–
Currency translation differences	25	7,131	1,513
Total other comprehensive income		578,687	145,744
Total comprehensive income		694,615	209,913
Transactions with owners:			
Final dividend relating to 2009/2008	25	(16,810)	(8,405)
Special dividend	25	(6,304)	–
Shares repurchased and cancelled	25	(10,540)	–
Total transactions with owners		(33,654)	(8,405)
Balance at 31st December		2,455,776	1,794,815

The notes on pages 36 to 97 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	7,761	194
Interest paid		(352)	(25)
Income tax paid		(1,333)	(548)
Net cash generated from/(used in) operating activities		6,076	(379)
Cash flows from investing activities			
Advancement for purchase of available-for-sale financial assets		–	(62,766)
Purchase of available-for-sale financial assets		(17,841)	–
Proceeds from sales of available-for-sale financial assets		50	–
Purchase of plant and equipment		(12)	(2)
Proceeds from sales of plant and equipment		8	2
Distribution of capital from available-for-sale financial assets		141	257
Dividend received from a jointly controlled entity		2,609	2,491
Dividends received from available-for-sale financial assets, net of tax	29(b)	47,445	11,341
Net cash generated from/(used in) investing activities		32,400	(48,677)

Consolidated Cash Flow Statement *(cont'd)*

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from financing activities			
Repurchase of own shares		(10,540)	–
Dividends paid		(23,114)	(8,405)
Draw down of bank loan		–	50,000
Repayment of bank loan		(20,000)	–
Net cash (used in)/generated from financing activities		(53,654)	41,595
Net decrease in cash and cash equivalents		(15,178)	(7,461)
Cash and cash equivalents at 1st January		70,247	77,666
Effect of foreign exchange rate changes		207	42
Cash and cash equivalents at 31st December		55,276	70,247

The notes on pages 36 to 97 are an integral part of these financial statements.

1 General information

Nanyang Holdings Limited is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is 1808 St George's Building, 2 Ice House Street, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together the "Group") engage in property investment, investment holding and trading, and textile trading.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 14th March 2011.

2 Significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair values.

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

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) **Standards, interpretations and amendments to standards that are effective in 2010 and are relevant to the Group's operations**

During the year ended 31st December 2010, the Group has adopted the following new or revised standards, interpretations and amendments to standards which are relevant to the Group's operations and are mandatory for accounting periods beginning on 1st January 2010:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 7 (Amendment)	Cash Flow Statements
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 (Amendment)	Operating Segments
HK (IFRIC) – Int 17	Distribution of Non-Cash Assets to Owners

The adoption of these revised standards and amendments does not have significant change to the accounting policies or any significant effect on the results and financial position of the Group.

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) **Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group**

The following standards, amendments and interpretations have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1st January 2011 or later periods but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Income Taxes	1st January 2012
HKAS 24 (Revised)	Related Party Disclosure	1st January 2011
HKFRS 9	Financial Instruments	1st January 2013

Annual improvements to Hong Kong Financial Reporting Standard (2010) were issued in May 2010 by HKICPA. All improvements are effective in the financial year of 2011.

The Group has not early adopted the above new standards and amendments in the financial statements for the year ended 31st December 2010. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

2 Significant accounting policies *(cont'd)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

(a) **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Significant accounting policies *(cont'd)*

2.2 Consolidation *(cont'd)*

(b) **Jointly controlled entities**

A jointly controlled entity is a joint venture established/incorporated as a corporation, partnership or other entity in which the ventures have their representative interests and established a contractual arrangement among them to define joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities are accounted for using the equity method from the date on which it becomes a jointly controlled entity. The appropriate adjustments to the investor's share of the profits or losses after acquisition are made to the consolidated financial statements based on their fair values at the date of acquisition.

The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business prospective.

Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale financial assets, derivative financial instruments, financial assets at fair value through profit or loss, receivables and operating cash and exclude items such as deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as current and deferred income tax liabilities and borrowings. Capital expenditure represents additions to non-current assets other than financial instruments and deferred income tax assets.

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation

(a) **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 and Group's functional and presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/expenses'.

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

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

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(c) **Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less residual values over their estimated useful lives, as follows:

2 Significant accounting policies *(cont'd)*

2.5 Property, plant and equipment *(cont'd)*

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 37 years or useful life
Buildings	25 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the income statement.

2.6 Investment properties

Investment property is defined as property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the income statement as part of valuation gain or loss in other income.

2 Significant accounting policies *(cont'd)*

2.7 Impairment of investments in subsidiaries and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Financial assets

2.8.1 Classification

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

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

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

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.1 Classification *(cont'd)*

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the balance sheet (Note 2.10).

(c) **Available-for-sale financial assets**

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

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement as gains and losses on financial assets through profit or loss' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as gains and losses on financial assets through profit or loss' when the group's right to receive payment is established.

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.2 Recognition and measurement *(cont'd)*

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs.

2.8.3 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 2.10.

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.4 Offsetting financial instruments

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

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative instruments which do not qualify for hedging accounting are accounted for at fair value through profit or loss, changes in the fair value of these derivative instruments that do not qualify for hedging accounting are recognised in the income statement within other operating income/expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the income statement.

2 Significant accounting policies *(cont'd)*

2.11 Cash and cash equivalents

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

2.12 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Significant accounting policies *(cont'd)*

2.13 Employee benefits

(a) **Pension obligations**

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) **Employee leave entitlements**

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

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

2.14 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

2 Significant accounting policies *(cont'd)*

2.14 Provisions *(cont'd)*

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

2.15 Revenue recognition

(a) **Realised and unrealised gains and losses on investments**
Realised gains and losses on investments are recognised on conclusion of sales contracts. Unrealised gains and losses on investments are recognised on the basis set out in Note 2.8.

(b) **Rental and management fee income**
Rental and management fee income on operating leases are recognised on a straight line basis over the lease periods.

(c) **Dividend income**
Dividend income is recognised when the right to receive payment is established.

(d) **Interest income**
Interest income is recognised on a time proportion basis using the effective interest rate method.

(e) **Commission income**
Commission income is recognised when services are rendered.

2.16 Operating leases

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

2.17 Borrowings

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

2 Significant accounting policies *(cont'd)*

2.17 Borrowings *(cont'd)*

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

3.1 Financial risk factors

(a) **Market risk**

(i) **Price risk**

The Group's equity securities are exposed to price risk including currency translation difference as they are classified either as available-for-sale financial assets or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended 31st December 2010 would have been HK$7,777,000 (2009: HK$7,226,000) higher/lower.

The Group's available-for-sale financial assets are mainly unlisted equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK$57,019,000 (2009: HK$25,536,000) higher/lower.

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(ii) **Foreign currency risk**

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide, primarily with respect to Euro, Japanese Yen and Australian Dollar. The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

At 31st December 2010, had the HK dollar weakened/strengthened by 5% against the Euro with all other variables held constant, the post-tax profit for the year ended 31st December 2010 would have been HK$1,425,000 (2009: HK$1,897,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss.

At 31st December 2010, had the HK dollar weakened/strengthened by 5% against the Japanese yen with all other variables held constant, the post-tax profit for the year ended 31st December 2010 would have been HK$248,000 (2009: HK$182,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

At 31st December 2010, had the HK dollar weakened/strengthened by 5% against the Australian Dollar with all other variables held constant, the post-tax profit for the year ended 31st December 2010 would have been HK$476,000 (2009: HK$402,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian Dollar-denominated financial assets at fair value through profit or loss.

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(iii) **Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities.

The Group's borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2010 and 2009, the Group's borrowings were denominated in HK dollar.

The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, the post-tax profit for the year ended 31st December 2010 would have been HK$300,000 (2009: HK$21,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) **Credit and counterparty risk**

The credit and counterparty risk mainly arises from deposits and cash and investments placed with banks and financial institutions and derivative financial instruments transacted with banks. The Group has limited its credit exposure by restricting their selection to financial institutions or banks with good credit rating.

(c) **Liquidity risk**

In order to maintain flexibility in funding, the Group has obtained banking facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(c) **Liquidity risk** *(cont'd)*

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group			
At 31st December 2010			
Short term bank loans and interest thereon	30,300	–	–
Trade payables	1,769	–	–
Rental and management fee deposits	7,140	2,889	1,608
Other payables and accruals (less provisions)	27,940	–	–
Amount due to a jointly controlled entity	178	–	–
Derivative financial liability	–	337	–
At 31st December 2009			
Short term bank loans and interest thereon	50,400	–	–
Trade payables	1,290	–	–
Rental and management fee deposits	6,578	2,287	3,021
Other payables and accruals (less provisions)	26,228	–	–
Amount due to a jointly controlled entity	184	–	–
Derivative financial liability	–	–	48
Company			
At 31st December 2010			
Other payables and accruals	29,186	–	–
At 31st December 2009			
Other payables and accruals	16,763	–	–

3 Financial risk management *(cont'd)*

3.2 Capital risk management

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

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

During 2009 and 2010, the Group's strategy was to maintain borrowings at a low level.

As at 31st December 2010, the debt to equity ratio is summarised as follows:

	2010 HK$'000	2009 HK$'000
Total borrowings (Note 27)	30,000	50,000
Total equity	2,455,776	1,794,815
Debt to equity ratio	1.2%	2.8%

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2010.

	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	216,636	–	–	216,636
Derivative financial assets	–	145	–	145
Available-for-sale financial assets	1,140,386	–	–	1,140,386
Total assets	1,357,022	145	–	1,357,167
Liability				
Derivative financial liabilities	–	337	–	337

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2009.

	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	198,126	–	–	198,126
Derivative financial assets	–	398	–	398
Available-for-sale financial assets	510,774	–	–	510,774
Total assets	708,900	398	–	709,298
Liability				
Derivative financial liabilities	–	48	–	48

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

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

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

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

4 Critical accounting estimates and judgments

Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31st December 2010 by an independent professional property valuer, Prudential Surveyors International Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties.

Estimate of fair value of non listed available-for-sale financial assets

The fair value of non listed available-for-sale financial assets is determined by the quoted bid price in the over-the-counter market. The Group considers this price represents actual and regularly occurring market transactions on an arm's length basis and reflect the fair value of the investment.

5 Revenue and segment information

Revenue (representing the Group's turnover) recognised during the year comprises the following:

	2010 HK$'000	2009 HK$'000
Gross rental income from investment properties	47,034	47,628
Net realised and unrealised gains on financial assets at fair value through profit or loss	16,299	36,937
Dividend income from financial assets at fair value through profit or loss	1,787	1,604
Dividend income from available-for-sale financial assets	59,260	11,341
Interest income	2,155	1,799
Management fee income from investment properties	8,024	7,954
	134,559	107,263

Management has determined the operating segments based on the reports and analysed from a business perspective:

Textile – manufacture and distribution of textile products
Property – investment in and leasing of industrial/office premises
Investments – holding and trading of investment securities

There are no sales or other transactions between the business segments.

5 Revenue and segment information *(cont'd)*

The segment results for the year ended 31st December 2010 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Group HK$'000
Total revenue	–	54,831	79,728	134,559
Operating profit	–	64,099	75,765	139,864
Finance costs				(352)
Share of (losses)/profits of jointly controlled entities	(4,475)	4,428	–	(47)
Profit before income tax				139,465
Income tax charge				(23,537)
Profit attributable to equity holders of the Company				115,928
Capital expenditure	–	12	–	12
Depreciation	–	118	146	264
Revaluation gain on investment properties	–	56,270	–	56,270

5 Revenue and segment information *(cont'd)*

The segment results for the year ended 31st December 2009 are as follows:

	Textile	Property	Investments	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Total revenue	–	55,582	51,681	107,263
Operating (loss)/profit	(595)	34,617	42,844	76,866
Finance costs				(25)
Share of (losses)/profits of jointly controlled entities	(10,209)	5,176	–	(5,033)
Profit before income tax				71,808
Income tax charge				(7,639)
Profit attributable to equity holders of the Company				64,169
Capital expenditure	–	2	–	2
Depreciation	328	95	22	445
Revaluation gain on investment properties	–	21,200	–	21,200

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude interests in jointly controlled entities and deferred income tax assets, and segment liabilities exclude deferred income tax liabilities and short-term bank loans, all of which are managed on a central basis.

5 Revenue and segment information *(cont'd)*

The segment assets and liabilities as at 31st December 2010 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Total HK$'000
Segment assets	–	1,083,191	1,423,811	2,507,002
Interests in jointly controlled entities	41,492	134,963	–	176,455
Unallocated assets	–	–	–	506
	41,492	1,218,154	1,423,811	2,683,963
Segment liabilities	–	43,609	2,388	45,997
Unallocated liabilities	–	–	–	182,190
	–	43,609	2,388	228,187

The segment assets and liabilities as at 31st December 2009 are as follows:

	Textile HK$'000	Property HK$'000	Investments HK$'000	Total HK$'000
Segment assets	2,787	1,000,572	848,621	1,851,980
Interests in jointly controlled entities	47,956	125,579	–	173,535
Unallocated assets	–	–	–	106
	50,743	1,126,151	848,621	2,025,621
Segment liabilities	382	41,145	1,917	43,444
Unallocated liabilities	–	–	–	187,362
	382	41,145	1,917	230,806

5 Revenue and segment information *(cont'd)*

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue from Hong Kong and from other countries for the year ended 31st December is analysed as follows:

	2010 HK$'000	2009 HK$'000
Hong Kong	58,003	64,967
United States of America	11,975	15,604
Europe	(521)	6,766
Southeast Asia	3,108	5,924
Taiwan	59,076	11,272
Other countries	2,918	2,730
	134,559	107,263

At 31st December 2010, the total of non-current assets other than financial instruments, prepayment for investments and deferred income tax assets located in Hong Kong and in other places are as follows:

	2010 HK$'000	2009 HK$'000
Hong Kong	1,082,303	1,000,557
Mainland China	177,600	174,826
	1,259,903	1,175,383

6 Expenses by nature

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	1,046	1,046
Brokerage and commission expense in respect of investment portfolios	920	923
Depreciation	264	445
Direct operating expenses arising from investment properties that		
– generated rental income	1,506	1,518
– did not generate rental income	135	129
Employee benefit expense (including directors' emoluments) (Note 8)	28,923	27,164
Legal and professional fees	2,066	4,575
Management fee expense in respect of investment properties	8,586	8,316
Operating lease payments on land and buildings	2,754	2,800
Provision for impairment of available-for-sale financial assets	–	697
Travelling expenses	1,039	881
Unrealised fair value loss on derivative financial instruments	541	422
Other	4,216	3,420
Total direct costs, administrative expenses and other operating expenses	51,996	52,336

7 Other operating income

	2010 HK$'000	2009 HK$'000
Other operating income comprises of the following:		
Net exchange gain	202	68
Others	829	671
	1,031	739

8 Employee benefit expense

	2010 HK$'000	2009 HK$'000
Wages and salaries	28,524	26,749
Retirement benefit costs		
– defined contribution plans (Note a)	399	415
	28,923	27,164

(a) **Pension – defined contribution plans**

The Group contributes to a defined contribution retirement scheme which is available to certain Hong Kong senior employees ("Senior Staff Scheme"). With effect from 1st December 2000, a mandatory provident fund scheme has been set up for the other eligible employees of the Group in Hong Kong. Contributions to the schemes by the Group are made at a certain percentage of basic monthly salary. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions to the Senior Staff Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There was no contribution forfeited during the year (2009: Nil). Contributions totaling HK$28,000 (2009: HK$31,000) were payable to the schemes at the year end, which are included in trade and other payables.

8 Employee benefit expense *(cont'd)*

(b) Directors' and senior management's emoluments

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

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits# HK$'000	Employer's contributions to retirement scheme HK$'000	Total HK$'000
Mr. Yun Cheng Wang	24	4,403	1,667	572	12	6,678
Mr. Hung Ching Yung	24	4,403	1,667	257	12	6,363
Mr. Lincoln C. K. Yung	24	4,403	1,667	234	12	6,340
Mr. Rudolf Bischof	240	–	–	–	–	240
Mr. Robert Tsai To Sze	240	–	–	–	–	240
Mr. James Julius Bertram	180	–	–	–	–	180
Ms. Jennie Chen	24	1,541	363	–	213	2,141
Total	756	14,750	5,364	1,063	249	22,182

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

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits# HK$'000	Employer's contributions to retirement scheme HK$'000	Total HK$'000
Mr. Yun Cheng Wang	24	4,303	1,241	305	12	5,885
Mr. Hung Ching Yung	24	4,303	1,241	267	12	5,847
Mr. Lincoln C. K. Yung	24	4,303	1,241	160	12	5,740
Mr. Rudolf Bischof	240	–	–	–	–	240
Mr. Robert Tsai To Sze	240	–	–	–	–	240
Mr. James Julius Bertram	180	–	–	–	–	180
Ms. Jennie Chen	24	1,521	281	–	211	2,037
Total	756	14,430	4,004	732	247	20,169

Other benefits include accommodation, medical expenses and motor vehicle expenses.

8 Employee benefit expense *(cont'd)*

(c) **Five highest paid individuals**

The five highest paid individuals in the Group include 4 (2009: 4) Directors whose emoluments are reflected in the analysis presented in Note 8(b) above. The emoluments payable to the remaining individual during the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, housing and other allowances, benefits in kind	1,759	1,687
Contributions to retirement scheme	12	12
	1,771	1,699

9 Finance costs

	2010 HK$'000	2009 HK$'000
Interest on bank loans and overdrafts	352	25

10 Income tax charge

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Withholding tax on dividend receivable from overseas investments including jointly controlled entities has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

The amount of taxation charge to the consolidated income statement represents:

	2010 HK$'000	2009 HK$'000
Current income tax		
Hong Kong profits tax	369	1,272
Withholding tax	12,080	–
Under/(over) provision in prior years	59	(39)
	12,508	1,233
Deferred income tax (Note 28)	11,029	6,406
	23,537	7,639

The Group's share of income tax expense of jointly controlled entities for the year amounted to HK$3,338,000 (2009: HK$2,357,000) and is included in the consolidated income statement as share of profits less losses of jointly controlled entities.

10 Income tax charge *(cont'd)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates, and the difference is set out below:

	2010 HK$'000	2009 HK$'000
Profit before income tax	139,465	71,808
Less: Share of profits less losses of jointly controlled entities	47	5,033
	139,512	76,841
Calculated at a tax rate of 16.5% (2009: 16.5%)	23,019	12,679
Income not subject to tax	(12,809)	(7,176)
Expenses not deductible for tax purposes	604	1,352
Under/(over) provision for current income tax in prior years	59	(39)
Effect of unrecognised temporary differences	8	(15)
Utilisation of previous unrecognised tax losses	(24)	(1,102)
Withholding tax on dividend income from overseas investments and undistributable profits from jointly controlled entities	12,307	1,940
Recognition of previously unrecognised temporary differences	373	–
Income tax charge	23,537	7,639

There is tax charge of HK$3,230,000 relating to fair value gain on property credited to equity upon reclassification of property from an owner-occupied property to an investment property in 2010.

11 Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$27,109,000 (2009: HK$18,812,000).

12 Earnings per share

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

	2010	2009
Earnings (HK$'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share (note)	115,928	64,169
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	41,855	42,025
Earning per share (HK$)		
Basic and dilutive	2.77	1.53

Note: The Company has no dilutive potential ordinary shares.

13 Dividends

	2010 HK$'000	2009 HK$'000
2010 proposed final dividend of HK$0.40 (2009: HK$0.40) per share	16,548	16,810
2010 proposed special dividend of HK$0.40 (2009: HK$0.15) per share	16,549	6,304
	33,097	23,114

At a meeting held on 14th March 2011 the Directors proposed a final dividend of HK$0.40 per share and a special dividend of HK$0.40 per share representing a total dividend distribution of approximately HK$33.1 million. These proposed dividends are to be approved by the shareholders at the Annual General Meeting on 20th May 2011 and are not reflected as dividends payable in these financial statements.

14 Property, plant and equipment

Group	Properties HK$'000	Others HK$'000	Total HK$'000
Year ended 31st December 2010			
Opening net book amount	1,867	81	1,948
Additions	–	12	12
Disposals	–	(8)	(8)
Transfer to investment properties	(160)	–	(160)
Depreciation	(221)	(43)	(264)
Closing net book amount	1,486	42	1,528
At 31st December 2010			
Cost	6,089	3,445	9,534
Accumulated depreciation and impairment losses	(4,603)	(3,403)	(8,006)
Net book amount	1,486	42	1,528
Year ended 31st December 2009			
Opening net book amount	2,238	156	2,394
Additions	–	2	2
Disposals	–	(3)	(3)
Depreciation	(371)	(74)	(445)
Closing net book amount	1,867	81	1,948
At 31st December 2009			
Cost	12,189	4,026	16,215
Accumulated depreciation and impairment losses	(10,322)	(3,945)	(14,267)
Net book amount	1,867	81	1,948

14 Property, plant and equipment *(cont'd)*

The Group's properties at their net book value are analysed as follows:

	2010 HK$'000	2009 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	341	576
Outside Hong Kong, held on:		
Leases of over 50 years	353	363
Leases of between 10 and 50 years	792	928
	1,145	1,291
	1,486	1,867

15 Investment properties

	Group 2010 HK$'000	 2009 HK$'000
At fair value		
Opening balance at 1st January	999,900	978,700
Transfer from property, plant and equipment	160	–
Fair value gains credited to equity upon reclassification of property from an owner-occupied property to an investment property	25,590	–
Fair value changes	56,270	21,200
Closing balance at 31st December	1,081,920	999,900

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2010 valuations were based on independent assessments made by Prudential Surveyors International Limited, an independent professionally qualified property valuer.

15 Investment properties *(cont'd)*

The Group's investment properties with an aggregate carrying value of HK$1,016,000,000 (2009: HK$975,000,000) have been mortgaged to a bank to secure general banking facilities of which HK$30,000,000 (2009: HK$50,000,000) was utilised as at 31st December 2010 (Note 27).

The Group's investment properties are held in Hong Kong on leases of between 10 and 75 years.

16 Investment in subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	378,782	378,782

Particulars of the subsidiaries are included in Note 35.

17 Jointly controlled entities

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	166,127	163,207
Equity loan to a jointly controlled entity (Note a)	10,328	10,328
	176,455	173,535

The following is a list of the jointly controlled entities as at 31st December 2010:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Equity interest	Profit sharing	Voting power
China Able Limited	British Virgin Islands, limited liability company	Investment holding in the People's Republic of China	33.33%	33.33%	33.33%
Changyu (Shanghai) Real Estate Management Co Ltd	People's Republic of China, limited liability company	Property investment in the People's Republic of China	33.33%	33.33%	33.33%
Shanghai Sung Nan Textile Co Ltd (Note b)	People's Republic of China, limited liability company	Textile manufacturing in the People's Republic of China	64.68%	64.68%	57%
Southern Textile Company Limited	People's Republic of China, limited liability company	Investment in textile business in the People's Republic of China	45%	45%	43%

17 Jointly controlled entities *(cont'd)*

Notes:

(a) The equity loan to a jointly controlled entity is unsecured, interest-free, and has no fixed terms of repayment.

(b) Since unanimous consent of all the parties sharing control is required for resolution of important strategic decisions including financial and operating, the investment was classified as jointly controlled entity even though the Group has a 57% voting interest.

The following amounts represent the Group's aggregate share of the assets and liabilities, and results of the jointly controlled entities:

	2010 HK$'000	2009 HK$'000
Assets		
Non-current assets	249,235	271,899
Current assets	45,211	23,975
	294,446	295,874
Liabilities		
Long term liabilities	104,733	105,825
Current liabilities	23,586	26,842
	128,319	132,667
Net assets	166,127	163,207
Income	24,605	24,945
Expenses	(24,652)	(29,978)
Loss after income tax	(47)	(5,033)

18 Financial instruments by category

Group

	Loans and receivables HK$'000	Assets at fair value through profit and loss HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
31st December 2010				
Asset as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,140,386	1,140,386
Derivative financial assets	–	145	–	145
Financial assets at fair value through profit or loss	–	216,636	–	216,636
Trade and other receivables (excluding deposits and prepayments)	2,688	–	–	2,688
Cash and cash equivalents	55,276	–	–	55,276
	57,964	216,781	1,140,386	1,415,131

18 Financial instruments by category *(cont'd)*

Group

	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
31st December 2009				
Asset as per consolidated balance sheet				
Available-for-sale financial assets	–	–	510,774	510,774
Derivative financial assets	–	398	–	398
Financial assets at fair value through profit or loss	–	198,126	–	198,126
Trade and other receivables (excluding deposits and prepayments)	492	–	–	492
Cash and cash equivalents	70,247	–	–	70,247
	70,739	198,524	510,774	780,037

18 Financial instruments by category *(cont'd)*

Group

	Liabilities at fair value through profit and loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
31st December 2010			
Liabilities as per consolidated balance sheet			
Derivative financial liabilities	337	–	337
Short term loans	–	30,000	30,000
Trade and other payables (excluding statutory provisions, rental and management fee deposits)	–	29,821	29,821
	337	59,821	60,158
31st December 2009			
Liabilities as per consolidated balance sheet			
Derivative financial liabilities	48	–	48
Short term loans	–	50,000	50,000
Trade and other payables (excluding statutory provisions, rental and management fee deposits)	–	27,702	27,702
	48	77,702	77,750

18 Financial instruments by category *(cont'd)*

Company

	Loans and receivables	
	2010	2009
	HK$'000	HK$'000
Assets as per balance sheet		
Trade and other receivables	17,124	11,216
Cash and cash equivalents	1,608	1,638
	18,732	12,854

Company

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	HK$'000
Liabilities as per balance sheet		
Trade and other payables	29,186	16,763

19 Available-for-sale financial assets

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	510,774	367,471
Additions	80,607	–
Disposal	(50)	–
Distributions from venture capital funds	(141)	(257)
Exchange gain	–	26
Net fair value gain recognised in equity	549,196	144,231
Impairment	–	(697)
At 31st December	1,140,386	510,774

19 Available-for-sale financial assets *(cont'd)*

	Group 2010 HK$'000	Group 2009 HK$'000
Listed equity securities – Hong Kong	7,749	6,625
Unlisted securities		
– Equity securities	1,131,136	502,710
– Venture capital funds	1,501	1,439
	1,132,637	504,149
	1,140,386	510,774

The available-for-sale financial assets are denominated in the following currencies:

	Group 2010 HK$'000	Group 2009 HK$'000
New Taiwan dollars	1,131,136	502,660
Others	9,250	8,114
	1,140,386	510,774

None of these financial assets is either past due or impaired.

At 31st December 2010, the carrying amount of interests in the following company exceed 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Group equity interest
The Shanghai Commercial & Savings Bank, Ltd.	Taiwan	Commercial banking business	2,538,849,157 ordinary shares of NT$10 each	3.8%

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

20 Derivative financial assets/liabilities – Group

	Assets		Liabilities	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Foreign exchange options – held for trading	145	398	–	–
Forward foreign exchange contracts – held for trading	–	–	337	48

The maximum exposure to credit risk at the reporting date is the carrying value of the derivative financial assets in the consolidated balance sheet.

The notional principal amounts of outstanding foreign exchange options and forward foreign exchange contracts at 31st December 2010 and 2009 were US$5,000,000 (equivalent to HK$38,800,000) and US$5,000,000 (equivalent to HK$38,600,000) respectively.

21 Prepayment and trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current asset				
Prepayment for investments (Note a)	–	62,766	–	–
Current assets				
Trade receivables	30	218	–	–
Other receivables, prepayments and deposits	7,066	6,678	267	245
Amounts due from				
– a subsidiary (Note b)	–	–	16,857	10,971
– a jointly controlled entity (Note b)	2,658	274	–	–
	9,754	7,170	17,124	11,216

21 Prepayment and trade and other receivables *(cont'd)*

Note:

(a) Pursuant to a notice of rights issue dated 24th October 2009, the Group made a payment of HK$62,766,000 for the subscription of 26,138,188 The Shanghai Commercial & Savings Bank, Ltd. shares on 14th December 2009. In January 2010, the Group made further payment to subscribe for an additional 7,000,000 shares of HK$16,730,000. All the subscription procedures were completed in January 2010.

(b) The amounts due from a subsidiary and a jointly controlled entity are unsecured, interest free and repayable on demand.

(c) The carrying amounts of trade and other receivables approximate their fair values.

(d) The Group does not grant any credit term to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31st December 2010, the aging analysis of the trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	30	218

There is no concentration of credit risk with respect to trade receivables.

22 Financial assets at fair value through profit or loss

	Group 2010 HK$'000	2009 HK$'000
Listed equity securities:		
– Hong Kong	22,037	19,124
– outside Hong Kong	137,135	128,953
	159,172	148,077
Listed debt securities outside Hong Kong	57,464	50,049
Market value of listed securities	216,636	198,126

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated cash flow statement (Note 29).

Changes in fair values of financial assets at fair value through profit or loss are recorded in revenue in the consolidated income statement (Note 5).

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

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as financial assets at fair value through profit or loss.

22 Financial assets at fair value through profit or loss *(cont'd)*

The financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
Euro	28,501	37,946
Japanese yen	4,964	3,634
Hong Kong dollars	22,037	19,124
Singapore dollars	1,449	849
United States dollars	151,314	129,388
Others	8,371	7,185
	216,636	198,126

23 Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and on hand	55,276	70,247	1,608	1,638

The carrying amounts of cash and cash equivalents are mainly denominated in United States dollars and Hong Kong dollars.

Maximum exposure to credit risk is HK$55,276,000 (2009: HK$70,247,000).

24 Share capital

	Number of shares	Amount HK$'000
Authorised:		
Shares of HK$0.10 each		
At 31st December 2009 and 31st December 2010	60,000,000	6,000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1st January 2009 and 31st December 2009	42,025,299	4,202
Repurchase of own shares and shares cancelled (note a)	(654,000)	(65)
At 31st December 2010	41,371,299	4,137

Note:

(a) The Company repurchased 600,000 and 54,000 of its own shares on 28th September 2010 and 29th September 2010 respectively through purchases on The Stock Exchange of Hong Kong Limited pursuant to the general mandate granted to the Directors at the annual general meeting held on 24th May 2010.

25 Reserves

Group

	Contributed surplus HK$'000	Available-for-sale investments reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve on consolidation HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profit HK$'000	Total HK$'000
At 1st January 2010	2,459	365,164	–	1,000	76,000	13,217	16,251	798	1,315,724	1,790,613
Fair value gains on available-for-sale investments	–	549,196	–	–	–	–	–	–	–	549,196
Reclassification of property from an owner-occupied property to an investment property										
– fair value gain	–	–	25,590	–	–	–	–	–	–	25,590
– tax	–	–	(3,230)	–	–	–	–	–	–	(3,230)
Currency translation differences	–	–	–	–	–	–	7,131	–	–	7,131
Shares repurchased and cancelled (Note 24)	–	–	–	–	–	–	–	65	(10,540)	(10,475)
2009 final dividend	–	–	–	–	–	–	–	–	(16,810)	(16,810)
2009 special dividend	–	–	–	–	–	–	–	–	(6,304)	(6,304)
Profit for the year	–	–	–	–	–	–	–	–	115,928	115,928
Transfer to statutory reserves of jointly controlled entities	–	–	–	–	–	317	–	–	(317)	–
At 31st December 2010	2,459	914,360	22,360	1,000	76,000	13,534	23,382	863	1,397,681	2,451,639

25 Reserves *(cont'd)*

Group

	Contributed surplus HK$'000	Available-for-sale investments reserve HK$'000	Capital reserve on consolidation HK$'000	General reserve HK$'000	Statutory reserves HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profit HK$'000	Total HK$'000
At 1st January 2009	2,459	220,933	1,000	76,000	12,924	14,738	798	1,260,253	1,589,105
Fair value gains on available-for-sale investments	–	144,231	–	–	–	–	–	–	144,231
Currency translation differences	–	–	–	–	–	1,513	–	–	1,513
2008 final dividend	–	–	–	–	–	–	–	(8,405)	(8,405)
Profit for the year	–	–	–	–	–	–	–	64,169	64,169
Transfer to statutory reserves of jointly controlled entities	–	–	–	–	293	–	–	(293)	–
At 31st December 2009	2,459	365,164	1,000	76,000	13,217	16,251	798	1,315,724	1,790,613

25 Reserves *(cont'd)*

Company

	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profit HK$'000	Total HK$'000
At 1st January 2010	356,241	798	13,632	370,671
Profit for the year	–	–	27,109	27,109
Shares repurchased and cancelled (Note 24)	–	65	(10,540)	(10,475)
2009 final dividend (Note 13)	–	–	(16,810)	(16,810)
2009 special dividend (Note 13)	–	–	(6,304)	(6,304)
At 31st December 2010	356,241	863	7,087	364,191
At 1st January 2009	356,241	798	3,225	360,264
Profit for the year	–	–	18,812	18,812
2008 final dividend (Note 13)	–	–	(8,405)	(8,405)
At 31st December 2009	356,241	798	13,632	370,671

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited ("NCML") in exchange for the Company's new shares issued. The Group's contributed surplus represents the difference between the nominal value of NCML's shares and the nominal value of the Company's shares issued pursuant to the group reorganisation less subsequent distribution. The Company's contributed surplus represents the difference between the nominal value of the Company's shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

25 Reserves *(cont'd)*

Statutory reserves are created in accordance with the terms of the joint venture agreements of the jointly controlled entities established in the People's Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31st December 2010 comprise statutory surplus reserve of HK$6,767,000 (2009: HK$6,608,500) and enterprise development reserve of HK$6,767,000 (2009: HK$6,608,500) which are appropriated from the retained profit of the jointly controlled entities.

General reserve arose from transfers from retained profit and has no specific purposes.

26 Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables (Note a)	1,769	1,290	–	–
Rental and management fee deposits	11,637	11,886	–	–
Other payables and accruals	32,076	30,036	1,274	1,306
Amount due to a jointly controlled entity (Note b)	178	184	–	–
Amount due to a subsidiary (Note b)	–	–	27,912	15,457
	45,660	43,396	29,186	16,763

26 Trade and other payables *(cont'd)*

Note:

(a) At 31st December 2010, the aging analysis of the trade payables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	1,429	950
31 – 60 days	340	340
	1,769	1,290

(b) The amounts due to a jointly controlled entity and a subsidiary are unsecured, interest free and have no fixed terms of repayment.

(c) The carrying amounts of trade and other payables approximate their fair values.

27 Short-term bank loans

The short-term bank loans as at 31st December 2010 were secured by the Group's investment properties (Note 15) and bore interest at 0.75% per annum over 1, 2 or 3 months Hong Kong Interbank Offered Rate (HIBOR). The loans were denominated in Hong Kong dollars and had an effective interest rate of 1.00% (2009: 0.80%) per annum at 31st December 2010. The carrying amounts of the loans approximated their fair values.

28 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2009: 16.5%).

	Group 2010 HK$'000	2009 HK$'000
Deferred income tax assets		
– to be recovered after more than 12 months	504	104
– to be recovered within 12 months	2	2
	506	106
Deferred income tax liabilities		
– to be settled after more than 12 months	(150,196)	(136,361)
– to be settled within 12 months	(1,994)	(1,001)
	(152,190)	(137,362)
	(151,684)	(137,256)

The gross movement on the deferred income tax account is as follows:

	Group 2010 HK$'000	2009 HK$'000
At 1st January	(137,256)	(130,850)
Tax charged to the consolidated income statement (Note 10)	(11,029)	(6,406)
Exchange translation difference	(169)	–
Tax charged to reserve (Note 25)	(3,230)	–
At 31st December	(151,684)	(137,256)

28 Deferred income tax *(cont'd)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Group			
	Accelerated tax depreciation HK$'000	Fair value gains on investment properties HK$'000	Undistributed profits of jointly controlled entities HK$'000	Total HK$'000
At 1st January 2009	(12,471)	(118,485)	–	(130,956)
Charged to the consolidated income statement	(1,001)	(3,465)	(1,940)	(6,406)
At 31st December 2009	(13,472)	(121,950)	(1,940)	(137,362)
Exchange translation difference	–	–	(169)	(169)
Charged to the consolidated income statement	(1,994)	(9,208)	(227)	(11,429)
Charged to other comprehensive income	–	(3,230)	–	(3,230)
At 31st December 2010	(15,466)	(134,388)	(2,336)	(152,190)

Deferred income tax assets:

	Group		
	Accelerated accounting depreciation HK$'000	Tax loss HK$'000	Total HK$'000
At 1st January and 31st December 2009	106	–	106
Recognised in the consolidated income statement	(2)	402	400
At 31st December 2010	104	402	506

28 Deferred income tax *(cont'd)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of HK$2,140,000 (2009: HK$2,565,000) in respect of tax losses amounting to HK$12,969,000 (2009: HK$15,548,000). These tax losses have no expiry date.

29 Note to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash generated from operations:

	2010 HK$'000	2009 HK$'000
Operating profit	139,864	76,866
Dividend income from available-for-sale financial assets	(59,260)	(11,341)
Impairment of available-for-sale financial assets	–	697
Depreciation	264	445
Loss on disposal of fixed assets	–	1
Changes in fair value of investment properties	(56,270)	(21,200)
Operating profit before working capital changes	24,598	45,468
Increase in trade and other receivables	(2,584)	(23)
Increase in financial assets at fair value through profit or loss	(18,510)	(42,908)
Decrease/(increase) in derivative financial assets	253	(398)
Increase in derivative financial liabilities	289	48
Increase/(decrease) in trade and other payables	2,198	(2,153)
Exchange translation differences	1,517	160
Net cash generated from operations	7,761	194

29 Note to the consolidated cash flow statement *(cont'd)*

(b) Dividends received from available-for-sale financial assets, net of tax:

	2010 HK$'000	2009 HK$'000
Dividends received	59,260	11,341
Withholding tax paid	(11,815)	–
	47,445	11,341

30 Commitments

At 31st December 2010, the Company had no capital commitment (2009: HK$Nil).

The Group has the following commitment in respect of investment in available-for-sale financial assets:

	Group	
	2010 HK$'000	2009 HK$'000
Authorised but not contracted for	–	16,730

At 31st December 2010, there is no capital commitment, relating to the Group's interest in the jointly controlled entities.

31 Commitments under operating leases

At 31st December, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Not later than one year	2,356	2,355
Later than one year and not later than five years	2,650	5,006
	5,006	7,361

32 Future rental receivables

At 31st December, minimum lease rentals under non-cancellable operating leases of the investment properties not recognised in the financial statements as receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	33,774	30,832
Later than one year but not later than 5 years	18,609	21,126
	52,383	51,958

33 Banking facilities

At 31st December 2010, the Group has general banking facilities of which HK$5,000,000 (2009: HK$9,000,000) was being utilised as a guarantee to a jointly controlled entity.

34 Related-party transactions

(a) **Key management compensation**

	2010	2009
	HK$'000	HK$'000
Salaries and other short-term employee benefits	23,692	21,609
Contributions to retirement scheme	261	259
	23,953	21,868

35 Subsidiaries

Details of the subsidiaries as at 31st December 2010 are as follows:

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest 2010	Group equity interest 2009
Bright Honest Investment Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	50,000 shares of US$1 each	100%	100%
Cottage Investments Co SA	Panama, limited liability company	Hong Kong	Investment holding	100 common shares without par value issued at US$10 each and 100 common shares of US$10 each	100%	100%
+ Culvert Investments Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares of US$1 each	100%	100%
East Coast Investments Ltd	Hong Kong, limited liability company	Hong Kong	Investment trading	2 ordinary shares of US$1 each	100%	100%
Highriver Estates Ltd	Hong Kong, limited liability company	Hong Kong	Property holding	2 ordinary shares of HK$1 each	100%	100%
Homestead Investments Inc	Liberia, limited liability company	Hong Kong	Inactive	1 share without par value issued at US$10,000	100%	100%
Infinity Peace Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares without par value issued at US$1 each	100%	100%
Mepal International Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	3 ordinary shares of HK$1 each	100%	100%

35 Subsidiaries *(cont'd)*

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest 2010	Group equity interest 2009
Merry Co Inc	Liberia, limited liability company	The People's Republic of China	Property Holding	1 share without par value issued at US$1,000	100%	100%
Nanyang Cotton Mill Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares of HK$1 each	100%	100%
Nanyang Industrial (China) Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	100%	100%
Nanyangetextile.com Ltd	Hong Kong, limited liability company	Hong Kong	Inactive	2 ordinary shares of HK$1 each	100%	100%
Peninsular Inc	Liberia, limited liability company	Hong Kong	Investment holding	1 share without par value issued at HK$10,000	100%	100%
Peninsular Yarn & Fabric Merchandising Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	1,000 ordinary shares of HK$1 each	100%	100%
Velden Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding and trading	10,000 ordinary shares of US$1 each	100%	100%

\+ Subsidiary held directly by the Company.

Schedule of Principal Properties

As At 31st December 2010 And 2009

Investment properties

Description	Lot number	Type	Lease term	Group's Interest
Units 2005-2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%
Units A-D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%