Hopefluent Group Holdings Limited
合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733

annual report 2010

HOPE Fluent

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung *(Chairman)*
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Independent Non-Executive Directors

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor, International Trade Center
1 Linhe Xi Lu
Tianhe District
Guangzhou
PRC

PLACE OF BUSINESS IN HONG KONG

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
4/F & 5/F, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Room 358, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, 68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

733

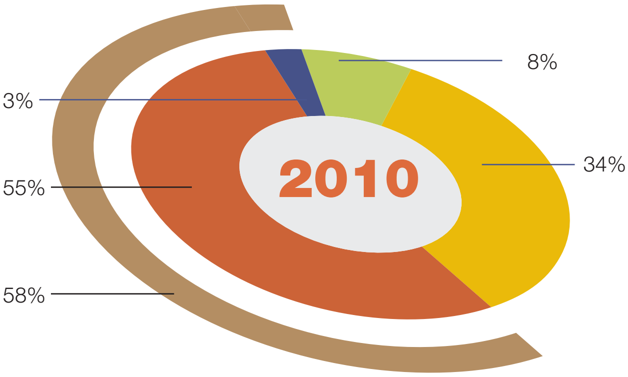
WEBSITE

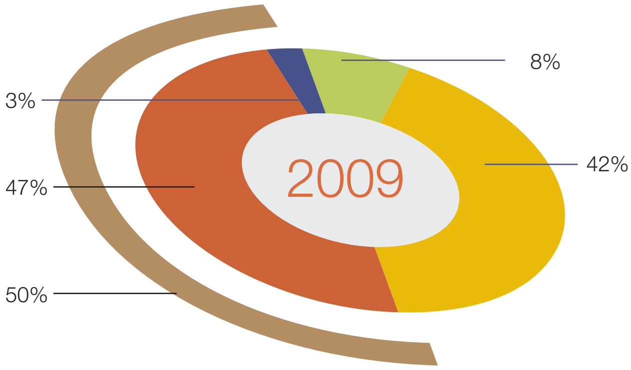
www.hopefluent.com

Financial Highlights

Turnover by Business

For the year ended 31st December

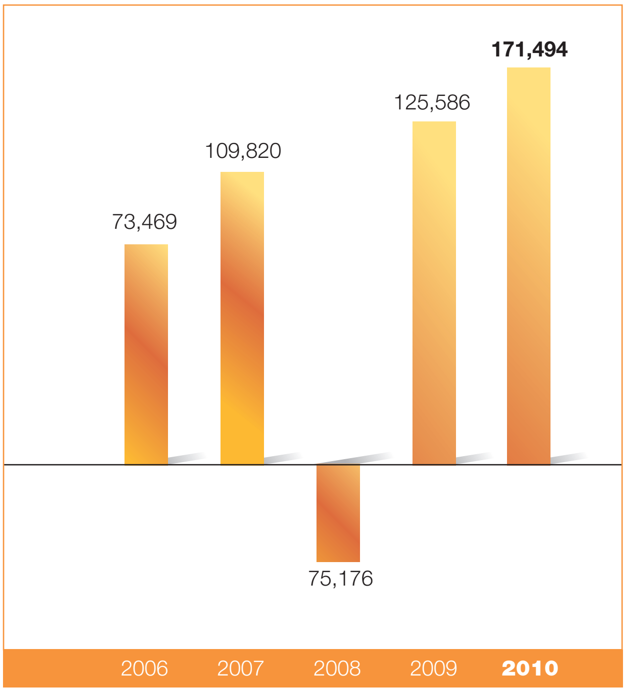




- Commission income for primary property transactions
- Consultancy and conveyancing services fee income
- Commission income for secondary property transactions
- Property management and others

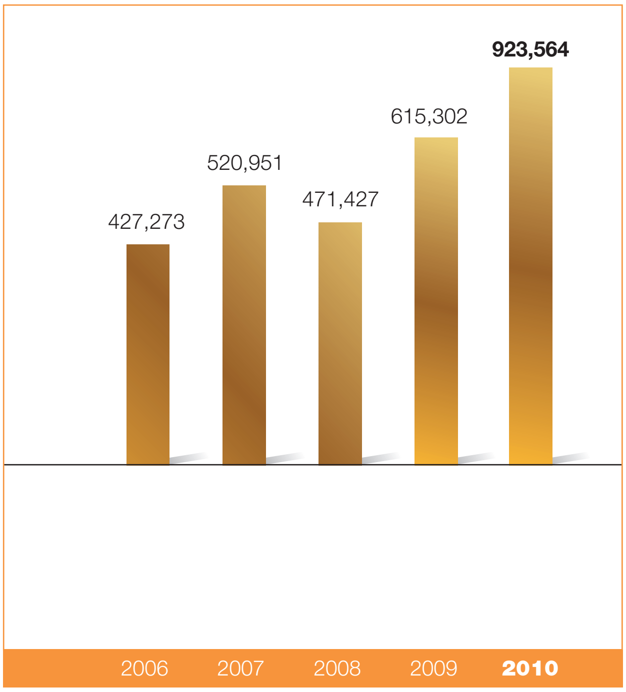
Profit Attributable to Shareholders

(HK$'000)



Shareholders's Funds

(HK$'000)



Year in Review

The Group has more than **20** offices serving more than **40** cities, including Guangzhou, Dongguan, Foshan, Shenzhen, Hefei, Tianjin, Shanghai, Suzhou, Nanning, Changsha, Nanjing, Guizhou and Zhengzhou.

In the past year, the Group continued to work closely with major property developers and projects on hand had been on the rise. To date, the Group has confirmed partnerships with leading developers including Vanke, Star River, Evergrande, Poly, Gemdale, Citic, Agile Property, New World China Land, Sun Hung Kai Properties, Favorview Palace and Asian Games City.

HOPE Fluent

Chairman's Statement

China's property market fluctuated in 2010. With the rise of property price and various measures imposed by the Central Government from time to time, it has affected general buyers' sentiment and tended to adopt a wait-and-see approach. However, our expansion from Guangzhou to second and third-tier cities in response to market demand in those areas has started to bear fruit. Our performance was encouraging for the year ended 31st December, 2010, with the turnover significantly up by 33% compared to that in 2009 to HK$1,328 million and profit attributable to shareholders reaching HK$171.5 million, up by 37% year on year.

During the year under review, our primary property real estate agency service business achieved excellent results, such as the Guangzhou key project, Asian Games City, the large luxurious property project, Favorview Palace, and the emerging district project, the Jinsha Bay, all recording outstanding sales. The Group's business coverage was able to expand to major cities in Guangdong Province including Shenzhen, Zhuhai, Dongguan, Foshan, Huizhou, Zhongshan, Jiangmen, Qingyuan along with the rapid development of the city railway system, subway lines, highways and other transportation networks. In the meantime, the Group also actively developed business in more than 40 other cities, such as Hefei, Tianjin, Changsha, Guizhou, Jinan, Nanning which also performed very well. The satisfactory performance of our primary property real estate agency service business was attributable to the close cooperation we have established with renowned property developers over the years and our abundant industry experience. The Group's primary property real estate agency service is still on the grow.

In our secondary property real estate agency service business, with Guangzhou and Shanghai as our main development focus, we have continued to expand into other regions including Foshan, Dongguan, Hangzhou and Suzhou. Under the influence of government control policies for the past year, the secondary property market fluctuated, so the market ambience was obviously affected. However, the Group achieved satisfactory results in this segment by increasing the number of branches and expanding the market share.

Other property related businesses, principally project consultancy services, mortgage referral and property management, continued to generate stable income for the Group.

Despite government's restrictions on housing prices and the increasing intensity of market intervention, the Group believes these will ensure a healthier property market for the PRC in the long run. With full implementation of the China's 12th Five-Year Plan, the supply and demand of property market in the PRC will continue to rise. As such, we will take efforts to expand our market share timely and wisely according to the market conditions. The Group will continue to monitor the market developments closely. While aiming to expand our business coverage, we will also work to enhance our overall capabilities in providing a better service for our customers.

Last but not least, on behalf of the Board, I would like to thank all of our shareholders, business partners and customers for their support, as well as their confidence in and recognition of the Group's future development strategy. I would also like to express my gratitude to our staff. Their dedicated efforts were the key to our brilliant performance in this unstable environment. To meet the upcoming challenges, the Board intends to continue to work closely with all of our staff having the shared objective to generate promising long-term returns for our shareholders.

By Order of the Board
Fu Wai Chung
Chairman
Hong Kong, 23rd March, 2011

Comprehensive Networks in PRC

Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 61, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over 15 years of experience in real estate agency business management and administration in the PRC. Mr. Fu is a member of the committee of the Chinese People's Political Consultative Conference of Guangzhou City.

Ms. Ng Wan, aged 55, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over 15 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 50, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over 15 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 46, is a certified public accountant in Hong Kong and has over 20 years of experience in accounting and financial management. Mr. Lo has obtained a professional diploma in accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of the Taxation Institute of Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 45, is the chief financial officer of a jewellery retailer in Hong Kong. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 20 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 60, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 62, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Chartered Institute of Housing Asian Pacific Branch and a fellow of the Hong Kong Institute of Housing. She is a licensed real estate agent and is currently the Chairlady of the Practice and Complaints Committee of the Hong Kong Real Estate Agents Ltd. She is appointed as a member of the Disciplinary Committee of the Estate Agents Authority.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2010.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 47, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

SENIOR MANAGEMENT

Ms. Li Jie Nu, aged 57, is the manager of the administration department and is responsible for the administration and human resources of the Group. She has 18 years of experience in management and business administration. Ms. Li holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院).

Mr. Liang Guo Hong, aged 45, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Mr. Xie Yu Han, aged 46, is the deputy general manager and is responsible for market research and analysis and project planning consultancy service business. He holds a diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Ms. Wu Shan Hong, aged 42, is the general business manager, and is responsible for the overall management of the primary property agency business of the Group. She holds a bachelor's degree of arts from the Shenzhen University, the PRC (深圳大學) and a master's degree in business administration from the University of Western Sydney, Australia.

Mr. Li Wei, aged 39, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business. He holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Xu Jing Hong, aged 39, is the deputy general manager, and is responsible for market development and strategy planning for primary property agency business of the Group. He holds a diploma in business administration from the South China Normal University, the PRC (華南師範大學).

Mr. Zheng Song Jie, aged 33, is the business manager, and is responsible for sales and promotion strategies for primary property projects in the Pearl River Delta region. He holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Ms. Hu Yun, aged 38, is the manager of the architectural design department, and is responsible for the research on the architectural aspects of the property projects. She holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

Mr. Zheng Wen Wei, aged 40, is the business manager and is responsible for the market development and strategy planning for the primary property agency business of the central and western part of China. He holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

Mr. Ou Yang Da Hui, aged 43, is the general manager of Tianjin Hopefluent Real Properties Sales and Marketing Limited, and is responsible for market development and strategy planning for primary property projects in northern part of China. He holds a bachelor's degree in engineering from the Shenzhen University, the PRC (深圳大學).

Mr. Liu Lian, aged 39, is the general manager of the Anhui Hopefluent Real Properties Consultancy Limited, and is responsible for the market development and the strategy planning for the primary property agency business in the eastern part of China. He holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Ms. Zhu Jie, aged 48, is the general manager of Shanghai Hopefluent Real Properties Consultancy Limited and is responsible for the market development and the strategy planning for the primary property agency business in the Yangtze Delta. She holds a master's degree in business administration from the Renmin University of China (中國人民大學).

Ms. Hu Yue, aged 42, is the general manager of Bola Realty Guarantee (Guangzhou) Limited and is responsible for the management of the primary and secondary property mortgage and loans business. She holds a master's degree in economic law from the Renmin University of China (中國人民大學).

Mr. Long Bin, aged 43, is the chief marketing research analyst, and is responsible for the analysis of market information. He holds a bachelor's degree in philosophy from the Jilin University of China (中國吉林大學) and a doctor's degree from the Renmin University of China (中國人民大學).

Mr. Lu Jiang Bin, aged 49, is the general manager of the property management business, and is responsible for the overall management of the property management services. He holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Huang Jian Bang, aged 56, is the general manager of the property management business in Shanghai, and is responsible for the property management business in Shanghai. He holds a professional diploma from the English Department of Shanghai Foreign Institute (上海外國語學院).

Management Discussion and Analysis

BUSINESS REVIEW

The Central Government has launched several austerity measures targeting the property market in China in 2010, resulting in an adjustment in both supply and transaction volumes of properties in first-tier cities. However, the Group's efforts to replicate its successful business model developed in Guangzhou to other cities have borne desirable result. Adhering to a prudent and pragmatic business approach, the Group has made timely changes to its operational strategy according to the development of the market and policy initiatives, which allowed the Group to capture the market trend successfully. All these efforts together have brought notable growth to its business.

For the year ended 31st December, 2010, the Group recorded a turnover of approximately HK$1,328 million, up by 33% against HK$995 million in 2009. Profit attributable to shareholders was HK$171.5 million, increased by 37% as compared to that in 2009 (2009 profit attributable to shareholders: HK$125.6 million). Basic earnings per share were HK49.8 cents (2009 restated: HK38.6 cents).

During the year under review, the Group's primary and secondary property real estate agency service businesses achieved a turnover of HK$762.8 million and HK$457.1 million respectively, accounting for 58% and 34% of the Group's total turnover. The remaining 8% or HK$107.9 million was derived from the property management business. By geographical location, Guangzhou contributed about 54% of the total turnover and about 46% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

合富辉煌®房地产
Hopefluent Real Properties

In 2010, the Group handled approximately 70,050 primary property transactions involving a total gross floor area of about 7.0 million square meter at a total transaction value of about HK$75.0 billion, a 49% increase compared to HK$50.2 billion last year. During the year under review, the Group was an agent for over 400 projects and 350 of them contributed turnover to the Group amounting to approximately HK$762.8 million, a 54% rise when compared to HK$494.0 million in 2009. By geographical location, Guangzhou accounted for about 42% of the total turnover from the primary property real estate agency service business and about 58% came from outside Guangzhou.

Leveraging on the Asian Games held in Guangzhou which brought opportunities to improve the city's development, the Group was able to expand its market share which brought substantial growth from the numbers of projects obtained. On the other hand, the Group's business coverage was able to set foot into Foshan, Shenzhen, Dongguan, Zhuhai, Zhongshan, Huizhou, Jiangmen, and other cities in Guandong Province along with the rapid development of the city railway system, subway lines, highways and other transportation networks. This further increases our market share in Pearl River Delta and Guangdong Province and laid a solid foundation for future growth. For the year ended 31st December, 2010, the Group has more than 20 offices serving more than 40 cities including Guangzhou, Shenzhen, Zhuhai, Dongguan, Foshan, Tianjin, Changsha, Hefei, Shanghai, Nanjing, Hangzhou, Suzhou, Zhengzhou, Wuhan, Jinang, Guizhou, Nanjing, and Xian.

In the past year, the Group continued to work closely with major property developers and projects on hand had been on the rise. It was appointed as agent for a substantial amount of projects, including Asian Games City, Favorview Palace, Vanke Glorious Life, Star River, New World China Land's The Canton Mansion, Poly City, Evergrande Palace, China Overseas Banyan Bay, Agile Garden Guangzhou, Citic Victory City, Gemdale Eton and others with excellent sales. This success has served to verify recognition by both customers and developers on the Group's professional sales and service capabilities. Another strength of the Group is its comprehensive initial project consultancy services to property developers spanning the entire planning process from professional advice on location and market positioning to marketing strategies and sales. During the year under review, the Group provided initial project planning services to more than 90 development projects covering more than 40 cities.

BUSINESS REVIEW (Continued)

Secondary Property Real Estate Agency Service

In 2010, property prices in mainland China continued to rise as the revival of the country's economy gathered momentum. However, the introduction of austerity measures and policy restrictions on purchasing a second house by the Central Government has affected property prices and supply in many first-tier cities such as Beijing and Shanghai. As a result, the secondary property market have adopted a wait-and-see attitude. This situation has further affected the overall transaction volume of secondary properties.

Although the overall transaction volume of the secondary property real estate agency market has recorded a year-on-year decrease, but the Group was able to gain increment on its market share, creating a favorable environment for business growth in the secondary property market. Thus, the overall performance of the secondary property real estate agency service has remained satisfactory. As at 31st December, 2010, the Group handled approximately 50,100 secondary property transactions (2009: 40,500 transactions). Turnover from this segment increased by 9% to approximately HK$457.1 million from HK$417.7 million in 2009. Transactions from Guangzhou contributed 77% of the total turnover of this segment while 23% came from outside Guangzhou.

The Group has adjusted its expansion strategy in line with market conditions, steadily increasing the number of secondary property real estate agency branches. With an addition of 65 branches during the year under review, the Group has a total of 350 branches in operation as at 31st December, 2010. Of the total, 300 branches were in Guangzhou and Shanghai, the major cities where it is primarily focused, and the remaining 50 branches were in Dongguan, Foshan, and Suzhou and Hangzhou which were included in the Group's development plan in the second half of 2010.

In addition to providing property agency services, the Group was able to launch numerous value-added services and products including mortgage referral services, property valuation and property auction. These services not only provide an additional income source to the Group, but also help to strengthen its brand image. With the launch of these services, it will bring forth better result to the Group as a whole.

Property Management Service

For the property management business, the Group has provided property management services to about 100 residential, office and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 100,000 units of total gross floor area covering 10 million square metre during the year under review. This business has brought stable income to the Group which would support its future expansion.

Interest in Associates

On 30th August, 2010, the Group acquired 100% of the issued share capital of Firstnet Group Limited at an aggregate consideration of HK$135,847,000 in which HK$5,269,000 was paid by cash and HK$130,578,000 was settled by issuance of 42,000,000 ordinary shares with par value of HK$ 0.01 each of the Company. The subsidiary of an associate of Firstnet Group Limited is engaged in property development for commercial use.

The fair value of 42,000,000 ordinary shares with par value of HK$0.01 each of the Company issued as part of the consideration, determined using the published price available at the date of the acquisition, amounted to HK$130,578,000.

PROSPECTS

In early 2011, the Central Government has implemented additional austerity measures such as restrictions on buying a second house as well as a pilot programme on property tax in specific cities, thus forcing players to become more prudent in the buying and selling of properties in the mainland China. However, the Group intends to align its strategy of market share expansion in view of strong market demand in order to secure its competitive advantage in the primary real estate agency services market and prudent long-term development in secondary real estate agency services market.

PROSPECTS (Continued)

Volatile as the market, developers have tended to cooperate with experienced agencies due to the changes in Government policy. The Group believes that by building on its established reputation, industry experience and expertise and its close partnership with numerous developers, it can secure more agency contracts to reinforce its leadership in the industry. To date, the Group has confirmed partnerships with leading developers and projects in 2011 including Vanke, Star River, Evergrande, Poly, Gemdale, Citic, Agile Property, New World China Land, Sun Hung Kai Properties, Favorview Palace and Asian Games City. Meanwhile, the Group will continue to secure its leadership in Guangdong Province, and enhance its sales networks in second and third tier cities to expand its coverage and market share.

Within the secondary property real estate agency service business, the Group will steadily expand the number of branches while closely observing market conditions. Pearl River Delta and Yangtze River Delta would continue to be the main focus of our efforts. The Group will align its development strategy with a view to expanding its market share and lay a solid foundation for the Group's long-term development.

Looking ahead, the Group remains confident in the long-term development prospects of the PRC property market. With its firm business foundation, the Group intends to continuously strive to provide our clients with professional and superior property real estate agency and consulting services guided by a prudent and pragmatic approach. At the same time, we plan to actively expand the Group's real estate-related value-added services businesses. We strongly believe that through our brand, professionalism in service and the strategic location of our business presence, the Group would definitely be able to make the most of the market opportunities and strive to bring satisfactory returns to our shareholders.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31st December, 2010 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2010, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK$396.5 million (31st December, 2009: HK$338.1 million) and 3.22 (31st December, 2009: 2.92) respectively. Total borrowings amounted to approximately HK$40.2 million which are secured bank borrowings (31st December, 2009: unsecured and secured bank borrowings are HK$21.3 million and approximately HK$38.8 million respectively). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.32% (31st December, 2009: 6.96%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31st December, 2010.

PLEDGE OF ASSETS

As at 31st December, 2010, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$78.6 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2010, the Group had approximately 10,500 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

As at 31st December, 2010, the total number of shares (the "Shares") of HK$0.01 each in the capital of the Company in issue was 380,540,000.

FINAL DIVIDEND AND BONUS SHARE ISSUE

On 23rd March, 2011, the Board have proposed to declare a final dividend of HK11 cents per share of the Company (the "Share(s)") for the year ended 31st December, 2010 (the "Final Dividend") payable to shareholders of the Company (the "Shareholders") whose names are on the register of members on 9th June, 2011 (the "Record Date") subject to shareholders' approval in 2011 Annual General Meeting. In addition to the distribution of Final Dividend, the Board also proposes the issue of bonus shares on the basis of 1 bonus share for every 5 existing Shares (the "Bonus Issue") held by Shareholders whose names appear on the Company's register of members on the Record Date. The bonus shares will be issued and credited as fully paid upon issue and will rank pari passu in all respects with the existing Shares with effect from the date of issue.

The Bonus Issue is conditional upon the Shareholders' approval and the granting by The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the new Shares to be issued pursuant thereto. It is expected that the dividend warrants and share certificates (if all conditions are satisfied) will be posted on 23rd June, 2011. The necessary resolution relating to the Bonus Issue will be proposed at the 2011 Annual General Meeting of the Company to be held on 9th June, 2011. A circular containing further details of the Bonus Issue together with a notice of the 2011 Annual General Meeting of the Company has been despatched to the Shareholders together with this annual report.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and management of the Company and its subsidiaries (the "Group") are committed to maintaining high standards of corporate governance and the Board is responsible for achieving consistent and sustainable long-term returns for the shareholders. The Group has complied throughout the review year with the code provisions contained in the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK") save and except certain deviations as more specifically described below.

DIRECTORS

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung *(Chairman)* Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December, 2010, ten Board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of Board meetings attended in the financial year ended 31st December, 2010	Attendance rate
Mr. FU Wai Chung	10	100%
Ms. NG Wan	10	100%
Ms. FU Man	10	100%
Mr. LO Yat Fung	10	100%
Mr. LAM King Pui	10	100%
Mr. NG Keung	10	100%
Mrs. WONG LAW Kwai Wah, Karen	10	100%

DIRECTORS (Continued)

Board of Directors (Continued)

The Board has in place a list of key matters that are to be retained for board decision:

— Long-term objectives and strategies
— Extension of Group activities into new areas (if any)
— Monitoring the budgets and financial performance of the Company
— Preliminary announcements of interim and final results
— Material banking facilities
— Internal control assessment
— Overseeing the performance of the management

while daily operation and administration are delegated to the management.

The Board held meetings from time to time whenever necessary. The agenda accompanying board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any Director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that though there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to operation of the Company. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2011 which may be extended as each director and the Company may agree in writing. However, they are appointed subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

The Articles of Association provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") comprises the three independent non-executive directors and Mr. LAM King Pui is the chairman of the Remuneration Committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(1) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

(2) To have the delegated responsibility to determine the specific remuneration package for all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations.

(3) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

(4) To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

(5) To review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

(6) To ensure that no director or any of his associate is involved in deciding his own remuneration.

The Group's human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for Committee's consideration. The remuneration of executive directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

A meeting was held in the year 2010 and during the meeting the remuneration policies, structures and procedures in remunerating the directors and senior management of Group were under review and no change has been proposed to the remuneration policies for the Group and the management reported that the basic salaries of the employees had been increased to cope with the market conditions while an increase in the remuneration of all the directors had been agreed to cope with the market conditions. No director or any his associates was involved in deciding his own remuneration.

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2010	Attendance rate
Mr. LAM King Pui	1	100%
Mr. NG Keung	1	100%
Mrs. WONG LAW Kwai Wah, Karen	1	100%

Information relating to the remuneration of each Director for 2010 is set out in note 12 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management reports regularly to the Board and provides such explanation and information to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors is to form an independent opinion, based on audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by the auditors about their reporting responsibility is set out on page 25 of this Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effective and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. An internal control department ("ICD") was established in 2006 which reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales, performance reports and cash flow of each branch rotationally. Programs have also been tailor-made for a monthly consolidated management accounts.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of materials assets and identification of business risks. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31st December, 2010 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets and the Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system, such as control over expenditures and payroll, certain risk assessment controls and periodic review of the Group's performance by the Audit Committee and the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three independent non-executive directors. Mr. LAM King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board and to consider major findings of internal investigations and management's response.

The Audit Committee held four meetings in 2010, which were attended by all audit committee members.

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2010	Attendance rate
Mr. LAM King Pui	4	100%
Mr. NG Keung	4	100%
Mrs. WONG LAW Kwai Wah, Karen	4	100%

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included reviewing and supervising the financial reporting process and review and discussion of business development and internal control system of the Group and reviewing the financial statements for the relevant period with reference to the scope of the terms of reference.

AUDITOR'S REMUNERATION

During the financial year ended 31st December, 2010, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable (HK$'000)
Audit services	1,550
Non-audit services	80
	1,630

SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated statement of comprehensive income on page 26.

The directors now recommend the payment of a final dividend of HK11 cents (2009: HK9 cents) per share to the shareholders on the register of members on 9th June, 2011, amounting to about HK$42,038,000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7th June, 2011 (Tuesday) to 9th June, 2011 (Thursday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the Bonus Issue and attending and voting at the 2011 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 3rd June, 2011 (Friday).

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2010 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements during the year in the investment properties of the Group are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK$81,569,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the People's Republic of China.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in share capital of the Company are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2010 were HK$427,111,000 (2009: HK$318,688,000).

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2010.

Directors' Report

DIRECTORS

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

Executive directors

Mr. Fu Wai Chung *(Chairman)*
Ms. Ng Wan
Ms. Fu Man
Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui
Mr. Ng Keung
Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Fu Man, Lo Yat Fung and Lam King Pui retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2010, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions:

(i) Ordinary share of HK$0.01 each and underlying shares under equity derivatives of the Company

	Number of shares			
Name of Director	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) (note 2)	Aggregate interest	Approximate percentage of the issued share capital
Mr. Fu Wai Chung ("Mr Fu")	127,826,000 (note 1)	308,000	128,134,000	33.67%
Ms. Ng Wan	—	308,000	308,000	0.08%
Ms. Fu Man	—	3,080,000	3,080,000	0.81%
Mr. Lo Yat Fung	—	3,080,000	3,080,000	0.81%
Mr. Lam King Pui	—	198,000	198,000	0.05%
Mr. Ng Keung	—	198,000	198,000	0.05%
Mrs. Wong Law Kwai Wah, Karen	—	198,000	198,000	0.05%

Notes:

1. These 127,826,000 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu,15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man.

2. Details of share options held by the directors are shown in the section of "Share Options".

(ii) Ordinary shares of US$1.00 each in Fu's Family Limited, the associated corporation of the Company

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st December, 2010.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Scheme") were set out in note 30 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options							
	As at 1st January, 2010	Exercised during the year	Adjustments upon bonus issue (note 1)	As at 31st December, 2010	Date of grant	Exercise period	Original exercise price per share HK$	Adjusted exercise price per share upon bonus issue HK$ (note 1)
Directors								
Mr. Fu Wai Chung	280,000	–	28,000	308,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Ms. Ng Wan	280,000	–	28,000	308,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Ms. Fu Man	2,800,000	–	280,000	3,080,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Mr. Lo Yat Fung	2,800,000	–	280,000	3,080,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Mr. Lam King Pui	180,000	–	18,000	198,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Mr. Ng Keung	180,000	–	18,000	198,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Mrs. Wong Law Kwai Wah, Karen	180,000	–	18,000	198,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Others								
Employees	11,300,000	(8,065,000)	445,000	3,680,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.60	2.36
Total	18,000,000	(8,065,000)	1,115,000 (note 2)	11,050,000				

Notes:

1. Upon completion of the bonus issue which was approved by the shareholders in the extraordinary general meeting held on 20th September, 2010, the exercise price of the share options granted under the Scheme and the number of shares to be allotted and issued upon full exercise of the subscription right attaching to the outstanding share options were adjusted in accordance with the terms of the Scheme and the supplementary guidance attached to the letter from the Stock Exchange dated 5th September,2005 relating to adjustments to share options.

2. The total adjustment to the number of share options is different from that disclosed in the announcement (the "Announcement") dated 20th September, 2010 due to exercise of share options by an employee after the Announcement date but before the adjustment effective date i.e. 4th October, 2010 (the completion date of the bonus issue).

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme is 39,024,000, representing 10.21% of the issued shares of the Company as at the date of this annual report.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$3.28. No share options was granted, cancelled or lapsed during the review year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Fu's Family Limited	Beneficial owner	127,826,000	33.59%
Martin Currie (Holdings) Limited	Held by controlled corporation (note 1)	41,258,800	10.84%
Value Partners Limited ("Value Partners")	Investment manager (note 2)	39,961,300	10.50%
Hang Seng Bank Trustee International Limited	Trustee (note 2)	39,961,300	10.50%
Cheah Capital Management Limited	Held by controlled corporation (note 2)	39,961,300	10.50%
Cheah Company Limited	Held by controlled corporation (note 2)	39,961,300	10.50%
Value Partners Group Limited	Held by controlled corporation (note 2)	39,961,300	10.50%
To Hau Yin	Interest of spouse (note 2)	39,961,300	10.50%
Cheah Cheng Hye ("Mr. Cheah")	Founder of the Trust (note 2)	39,961,300	10.50%

Notes:

1. Martin Currie (Holdings) Limited is the sole shareholder of Martin Currie Ltd., which, in turn, is the sole shareholder of Martin Currie Inc. and Martin Currie Investment Management. Martin Currie Inc. and Martin Currie Investment Management hold 14,504,600 shares (approximately 3.81%) and 26,754,200 shares (approximately 7.03%) of the Company respectively. As such, a total of 41,258,800 shares (approximately 10.84%) held by Martin Currie Inc. and Martin Currie Investment Management are attributable to Martin Currie Ltd. and Martin Currie (Holdings) Limited.

2. These shares are held by Hang Sang Bank Trustee International Limited in its capacity as the trustee of a trust and Value Partners as the investment manager through Value Partners Group Limited, Cheah Company Limited and Cheah Capital Management Limited. Mr. Cheah is the founder of the trust and Ms. To Hau Yin as the spouse of Mr. Cheah is deemed to be interested in these shares.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2010.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors as independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient float throughout the year ended 31st December, 2010. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceed 25% as at 23rd March, 2011.

AUDITOR

In year 2008, Zhong Yi (Hong Kong) C.P.A. Company Limited resigned as one of the two joint auditors of the Company and Messrs. Deloitte Touche Tohmatsu was appointed as the sole auditor of the Company and has continued to be appointed as the sole auditor during year 2009 and 2010.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fu Wai Chung
Chairman

Hong Kong, 23rd March, 2011

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 69, which comprise the consolidated statement of financial position as at 31st December, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23rd March, 2011

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Turnover	7	**1,327,796**	995,450
Other income		**4,979**	11,452
Selling expenses		**(198,685)**	(155,274)
Administrative expenses		**(872,674)**	(672,471)
Other expenses		**(3,483)**	(7,575)
Finance costs	9	**(3,006)**	(3,184)
Profit before tax		**254,927**	168,398
Income tax expense	10	**(78,584)**	(40,028)
Profit for the year	11	**176,343**	128,370
Other comprehensive income for the year:			
Exchange difference arising on translation		**24,825**	2,172
Total comprehensive income for the year		**201,168**	130,542
Profit for the year attributable to:			
Owners of the Company		**171,494**	125,586
Non-controlling interests		**4,849**	2,784
		176,343	128,370
Total comprehensive income attributable to:			
Owners of the Company		**195,330**	127,591
Non-controlling interests		**5,838**	2,951
		201,168	130,542
			(restated)
Earnings per share	15		
— Basic		**HK49.8 cents**	HK38.6 cents
— Diluted		**HK49.4 cents**	HK38.6 cents

Consolidated Statement of Financial Position

At 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**33,021**	24,996
Property, plant and equipment	17	**252,767**	219,098
Goodwill	18	**15,608**	15,544
Interest in associates	20	**137,230**	—
		438,626	259,638
CURRENT ASSETS			
Accounts receivables	21	**307,298**	201,296
Other receivables and prepayment		**66,658**	54,934
Held for trading investments	22	**1,234**	9,753
Bank balances and cash	23	**396,508**	338,073
		771,698	604,056
CURRENT LIABILITIES			
Payables and accruals	24	**134,808**	96,565
Tax liabilities		**64,497**	50,436
Bank borrowings	25	**40,235**	60,120
		239,540	207,121
NET CURRENT ASSETS		**532,158**	396,935
		970,784	656,573
CAPITAL AND RESERVES			
Share capital	26	**3,805**	2,960
Share premium and reserves		**919,759**	612,342
Equity attributable to owners of the Company		**923,564**	615,302
Non-controlling interests		**25,573**	21,320
		949,137	636,622
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**21,647**	19,951
		970,784	656,573

The consolidated financial statements on pages 26 to 69 were approved and authorised for issue by the board of directors on 23rd March, 2011 and are signed on its behalf by:

Fu Wai Chung *DIRECTOR*	**Lo Yat Fung** *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note i)	Statutory surplus reserve HK$'000 (note ii)	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2009	2,960	254,790	5,760	40,413	41,570	–	125,934	471,427	22,229	493,656
Exchange differences arising on translation	–	–	–	–	2,005	–	–	2,005	167	2,172
Profit for the year	–	–	–	–	–	–	125,586	125,586	2,784	128,370
Total comprehensive income for the year	–	–	–	–	2,005	–	125,586	127,591	2,951	130,542
Recognition of share-based payment	–	–	–	–	–	16,284	–	16,284	–	16,284
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	(7,252)	(7,252)
Realised on partial disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	3,392	3,392
Transfer	–	–	–	6,028	–	–	(6,028)	–	–	–
At 31st December, 2009	2,960	254,790	5,760	46,441	43,575	16,284	245,492	615,302	21,320	636,622
Exchange differences arising on translation	–	–	–	–	23,836	–	–	23,836	989	24,825
Profit for the year	–	–	–	–	–	–	171,494	171,494	4,849	176,343
Total comprehensive income for the year	–	–	–	–	23,836	–	171,494	195,330	5,838	201,168
Bonus issue of shares	345	(345)	–	–	–	–	–	–	–	–
Issue of shares upon acquisition (note 19)	420	130,158	–	–	–	–	–	130,578	–	130,578
Exercise of share options	80	27,785	–	–	–	(7,188)	–	20,677	–	20,677
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	(40,430)	(40,430)	–	(40,430)
Acquisition of additional interest in subsidiary	–	–	–	–	–	–	2,107	2,107	(2,785)	(678)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,200	1,200
Transfer	–	–	–	8,381	–	–	(8,381)	–	–	–
At 31st December, 2010	**3,805**	**412,388**	**5,760**	**54,822**	**67,411**	**9,096**	**370,282**	**923,564**	**25,573**	**949,137**

Notes:

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on the basis that the group reorganisation had been effected on 24th June, 2004.

(ii) Statutory surplus reserve

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve. The reserve can only be used, upon approval by the Board of Directors and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	NOTE	2010 HK$'000	2009 HK$'000 (restated)
OPERATING ACTIVITIES			
Profit before tax		**254,927**	168,398
Adjustments for:			
Depreciation of property, plant and equipment		**49,565**	43,811
Impairment on accounts receivables		**4,088**	3,645
Finance costs		**3,006**	3,184
Loss on fair value changes of held for trading investments		**317**	434
Loss on disposal and write-off of property, plant and equipment		**203**	639
Interest income		**(1,050)**	(644)
Share-based payment expense		**—**	16,284
Loss on partial disposal of subsidiaries		**—**	2,857
Discount on acquisition of additional interest in subsidiaries		**—**	(3,457)
Operating cash flows before movements in working capital		**311,056**	235,151
Increase in accounts, other receivables and prepayment		**(109,338)**	(24,946)
Decrease (increase) in held for trading investments		**8,202**	(10,187)
Increase in payables and accruals		**29,266**	38,905
Cash generated from operations		**239,186**	238,923
PRC income tax paid		**(65,943)**	(25,666)
NET CASH FROM OPERATING ACTIVITIES		**173,243**	213,257
INVESTING ACTIVITIES			
Interest received		**1,050**	644
Proceeds on disposal of property, plant and equipment		**673**	2,246
Acquisition of assets through acquisition of subsidiaries	19	**(2,313)**	—
Purchase of property, plant and equipment		**(81,569)**	(20,662)
NET CASH USED IN INVESTING ACTIVITIES		**(82,159)**	(17,772)
FINANCING ACTIVITIES			
Proceeds on issue of shares due to exercise of share options		**20,677**	—
New bank borrowings raised		**39,015**	38,793
Capital contribution from non-controlling interests		**1,200**	—
Acquisition of additional interest in subsidiaries		**(678)**	(3,795)
Interest paid		**(3,006)**	(3,184)
Dividends paid		**(40,430)**	—
Repayment of bank borrowings		**(60,496)**	(46,829)
Partial disposal of subsidiaries		**—**	535
NET CASH USED IN FINANCING ACTIVITIES		**(43,718)**	(14,480)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**47,366**	181,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**338,073**	155,931
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**11,069**	1,137
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**396,508**	338,073

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

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

The application of the revised Standard has affected the accounting for the Group's additions of interest in a subsidiary in the current year. The change in policy has resulted in the difference of HK$2,107,000 between the consideration paid of HK$678,000 and the non-controlling interests derecognised of HK$2,785,000 being recognised directly in equity, instead of in profit or loss. In addition, the cash consideration paid in the current year of HK$678,000 has been included in cash flows from financing activities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements (Continued)

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010, except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS28[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

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

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements (Continued)

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013 and that the application of the new Standard may not have significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors do not anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model because no fair value gain has been recognised.

The directors anticipate that the application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1st January, 2010

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place on or after 1st January, 2010 *(Continued)*

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Business combinations that took place prior to 1st January, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

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

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

Acquisition of additional interests in subsidiaries

On acquisition of an additional interest in a subsidiary, the difference between the consideration paid for the acquisition and the carrying amounts of the underlying assets and liabilities attributable to the additional interest in the subsidiary acquired is dealt with in equity, with no impact on goodwill or profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1st January, 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of business tax and other taxes.

Agency commission and conveyancing services income from property brokering is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Marketing, development and planning consultancy and property management services income is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply for services or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1st January, 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged to expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are comprising of loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis, for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivables, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on loans and receivables below).

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets *(Continued)*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of all loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the entity's accounting policies

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

Estimated impairment of accounts receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2010, the carrying amount of accounts receivables is HK$307,298,000 (net of allowance for doubtful debts of HK$8,995,000) (31st December, 2009: carrying amount of HK$201,296,000, net of allowance for doubtful debts of HK$6,281,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2010, the carrying amount of goodwill is HK$15,608,000 (net of accumulated impairment loss of Nil) (31st December 2009: carrying amount of HK$15,544,000, net of accumulated impairment loss of Nil). Details of the recoverable amount calculation are disclosed in note 18.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 25, net of cash and cash equivalents disclosed in note 23, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associate with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, and the issue of additional share capital or new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2010 **HK$'000**	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**750,435**	577,347
Held for trading investments	**1,234**	9,753
Financial liabilities		
Amortised cost	**60,637**	80,559

6b. Financial risk management objectives and policies

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

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency assets and liabilities, including bank balances and cash, payables and bank borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date that are considered significant by management are as follows:

	Liabilities		**Assets**	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
HK$	**(423)**	(21,496)	**27,260**	14,868

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the currency risk of Hong Kong dollar ("HK$").

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in HK$ against RMB. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2009: 5%) change in foreign currency rates. A positive/negative number below indicates an increase/decrease in post-tax profit where HK$ strengthen 5% (2009: 5%) against RMB. For a 5% (2009: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit and the balance would be negative/positive.

	HK$ Impact	
	2010	2009
	HK$'000	HK$'000
Profit or loss	**1,006**	249

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings which carry fixed interest rate (see note 25 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank deposits because these balances carry interest at prevailing rates and they are of short maturity.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2009: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2009: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2010 would increase/decrease by HK$743,000 (2009: increase/decrease by HK$594,000).

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the investment. As at 31st December, 2010, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Stock Exchange.

Sensitivity analysis

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

If the prices of the equity instrument had been 5% (2009: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2010, the Group's post-tax profit for the year would increase/decrease by HK$52,000 (2009: HK$366,000) as a result of the changes in fair value of held for trading investments.

Credit risk

As at 31st December, 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2009: 100%) of the total accounts receivables as at 31st December, 2010. The Group also has concentration of credit risk as 14% (2009: 20%) and 5% (2009: 7%) of the total accounts receivables was due from the Group's five largest customers and the largest customer respectively.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

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

In addition to financing by the Group's own capital and earnings, the Group relies on bank borrowings as an additional source of liquidity. As at 31st December, 2010, the Group has bank borrowings of approximately HK$40,235,000 (2009: HK$60,120,000). Furthermore, as at 31st December, 2010, the Group had no unutilised bank facilities (2009: HK$28,750,000). Details of which are set out in note 25.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

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

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2010 HK$'000
2010						
Non-derivative financial liabilities						
Payables	–	20,402	–	–	20,402	20,402
Bank loans — fixed rate	4.79	11,522	–	30,641	42,163	40,235
		31,924	–	30,641	62,565	60,637

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2009 HK$'000
2009						
Non-derivative financial liabilities						
Payables	–	20,439	–	–	20,439	20,439
Bank loans — fixed rate	5.50	–	15,020	25,741	40,761	38,870
Bank loans — variable rate	3.07	–	6,442	15,461	21,903	21,250
		20,439	21,462	41,202	83,103	80,559

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

The fair values of held for trading investments are determined with reference to quoted market bid prices. Fair values of the Group's held for trading investments are classified as level 1 measurements which are all derived from quoted prices (unadjusted) in active market for identical assets and liabilities.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outside customers for the sales of properties in the People's Republic of China (the "PRC") less business tax and other taxes. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2010 HK$'000	2009 HK$'000
Agency commission	1,291,020	965,750
Service income	114,542	88,887
Less: Business tax and other taxes	(77,766)	(59,187)
	1,327,796	995,450

8. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments.

An analysis of the Group's revenue and results from continuing operations by operating segment is as follows:

For the year ended 31st December, 2010

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	762,774	457,127	107,895	1,327,796
Segment profit	220,022	47,534	558	268,114
Other income				4,979
Central administrative costs				(15,160)
Finance costs				(3,006)
Profit before tax				254,927
Income tax expense				(78,584)
Profit for the year				176,343

8. SEGMENT INFORMATION (Continued)

For the year ended 31st December, 2009

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	494,021	417,719	83,710	995,450
Segment profit	122,007	62,082	(2,636)	181,453
Other income				11,452
Central administrative costs				(21,323)
Finance costs				(3,184)
Profit before tax				168,398
Income tax expense				(40,028)
Profit for the year				128,370

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of comprehensive income. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administrative costs including directors' salaries, other income and finance costs. This is the measure reported to the Group's executive directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the Group's executive directors, the measure of total assets and liabilities for each operating segment is therefore not presented.

8. SEGMENT INFORMATION (Continued)

Other segment information

2010

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Consolidated HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	**10,248**	**38,042**	**1,275**	**49,565**
Impairment on accounts receivables	**—**	**4,088**	**—**	**4,088**
Loss on disposal and write-off of property, plant and equipment	**92**	**111**	**—**	**203**

2009

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Consolidated HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	6,199	35,479	2,133	43,811
Impairment on accounts receivables	—	3,645	—	3,645
Loss on disposal and write-off of property, plant and equipment	—	639	—	639
Loss on partial disposal of subsidiaries	2,857	—	—	2,857

Geographical information

The Group's operations are located in Hong Kong and other parts of the People's Republic of China (the "PRC"). Majority of the Group's primary property real estate agency, secondary property real estate agency and property management businesses are located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

9. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
The charge comprises:		
The PRC Enterprises Income Tax ("EIT")	**77,724**	40,483
Deferred tax (note 27)	**860**	(455)
	78,584	40,028

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 6.0% (2009: 2.5% to 5.0%) on turnover during the current year. The predetermined tax rate is agreed and determined between such enterprises and the PRC tax bureau of local government and is subject to annual review and renewal.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit in Hong Kong for both years.

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit before tax	**254,927**	168,398
Tax at the applicable rate of 25%	**63,732**	42,100
Tax effect of expenses not deductible for tax purpose	**16,454**	8,280
Tax effect of income not taxable for tax purpose	**(258)**	(866)
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	**(6,067)**	(7,221)
Tax effect of tax loss not recognised	**7,748**	2,950
Utilisation of tax loss previously not recognised	**(3,025)**	(5,215)
Income tax expense	**78,584**	40,028

Details of deferred taxation are set out in note 27.

11. PROFIT FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration, including share-based payment expenses and retirement benefits scheme contributions (note 12)	**7,061**	12,471
Other staff costs	**479,486**	395,997
Share-based payment expenses — employees	**—**	10,221
Other retirement benefits scheme contributions	**32,006**	22,756
Total staff costs	**518,553**	441,445
Auditor's remuneration	**1,630**	1,480
Depreciation of property, plant and equipment	**49,565**	43,811
Impairment on accounts receivables	**4,088**	3,645
Loss on fair value changes of held for trading investments	**317**	434
Loss on partial disposal of subsidiaries	**—**	2,857
Loss on disposal and write-off of property, plant and equipment	**203**	639
and after crediting:		
Bank interest income	**1,050**	644
Net rental income in respect of premises, net of negligible outgoings	**1,286**	1,288
Discount on acquisition of subsidiaries (included in other income)	**—**	3,457

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors were as follows:

For the year ended 31st December, 2010

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	**—**	**—**	**—**	**—**	**60**	**120**	**180**	**360**
Salaries and other benefits	**1,778**	**1,725**	**1,750**	**1,400**	**—**	**—**	**—**	**6,653**
Retirement benefits scheme contributions	**12**	**12**	**12**	**12**	**—**	**—**	**—**	**48**
Total emoluments	**1,790**	**1,737**	**1,762**	**1,412**	**60**	**120**	**180**	**7,061**

12. DIRECTORS' EMOLUMENTS (Continued)

For the year ended 31st December, 2009

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	—	—	—	—	60	120	180	360
Salaries and other benefits	1,800	1,400	1,400	1,400	—	—	—	6,000
Share-based payment expenses	253	253	2,534	2,534	163	163	163	6,063
Retirement benefits scheme contributions	12	12	12	12	—	—	—	48
Total emoluments	2,065	1,665	3,946	3,946	223	283	343	12,471

The Group also provided rent-free accommodation to Mr. Fu Wai Chung, the executive director, for the year ended 31st December, 2010. The estimated monetary value of the properties involved, which are owned by the Group, amounted to HK$840,000 (2009: HK$720,000).

For both 2010 and 2009, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2010 and 2009.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: four) were directors of the Company, whose emoluments are included in note 12 above. The emoluments of the remaining individual were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**649**	587
Share-based payment expense	**—**	1,810
Retirement benefits scheme contributions	**4**	4
	653	2,401

14. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution during the year:		
2010 Interim — HK4 cents per share	**13,790**	—
2009 Final — HK9 cents per share	**26,640**	—
	40,430	—

The final dividend of HK11 cents in respect of the year ended 31st December, 2010 (2009: final dividend of HK9 cents in respect of the year ended 31st December, 2009) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

Earnings

	2010 HK$'000	2009 HK$'000
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**171,494**	125,586

Number of shares

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**344,516**	325,600
Effect of dilutive potential ordinary shares:		
Options	**2,677**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**347,193**	325,600

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue.

The computation of diluted earnings per share for the year ended 31st December, 2009 did not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares of the Company.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2009	14,385
Exchange adjustments	81
Transfers from property, plant and equipment	10,530
At 31st December, 2009	24,996
Exchange adjustments	1,306
Transfers from property, plant and equipment	6,719
At 31st December, 2010	**33,021**

16. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at 31st December, 2010 and 2009 have been arrived at by directors' valuation with reference to the valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. BMI Appraisals Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions. In the opinion of the directors, no material valuation surplus/deficit arises from the valuation as at 31st December, 2010 and 2009.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises of leasehold land under medium term land use rights in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furnitures and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2009	92,634	185,183	89,108	26,778	393,703
Exchange adjustments	523	1,042	502	143	2,210
Additions	2,661	2,977	7,397	7,627	20,662
Disposals	—	—	(3,414)	(791)	(4,205)
Transfers to investment properties	(10,772)	—	—	—	(10,772)
At 31st December, 2009	85,046	189,202	93,593	33,757	401,598
Exchange adjustments	3,368	8,584	4,115	1,421	17,488
Additions	10,052	46,916	15,782	8,819	81,569
Disposals	—	—	(1,578)	(2,071)	(3,649)
Transfers to investment properties	(7,571)	—	—	—	(7,571)
At 31st December, 2010	**90,895**	**244,702**	**111,912**	**41,926**	**489,435**
DEPRECIATION					
At 1st January, 2009	13,214	74,821	37,807	13,631	139,473
Exchange adjustments	75	420	213	70	778
Provided for the year	2,527	25,042	10,990	5,252	43,811
Disposals	—	—	(944)	(376)	(1,320)
Transfers to investment properties	(242)	—	—	—	(242)
At 31st December, 2009	15,574	100,283	48,066	18,577	182,500
Exchange adjustments	638	4,596	2,223	771	8,228
Provided for the year	1,776	28,077	14,562	5,150	49,565
Disposals	—	—	(1,339)	(1,434)	(2,773)
Transfers to investment properties	(852)	—	—	—	(852)
At 31st December, 2010	**17,136**	**132,956**	**63,512**	**23,064**	**236,668**
CARRYING VALUES					
At 31st December, 2010	**73,759**	**111,746**	**48,400**	**18,862**	**252,767**
At 31st December, 2009	69,472	88,919	45,527	15,180	219,098

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	20%
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

18. GOODWILL

	HK$'000
COST	
At 1st January, 2009	15,528
Exchange adjustments	16
At 31st December, 2009	15,544
Exchange adjustments	64
At 31st December, 2010	**15,608**

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual cash generating units (CGUs) from which goodwill arose. The carrying amount of goodwill as at 31st December, 2010 allocated to these units are as follows:

	2010 HK$'000	2009 HK$'000
Provision of property management services in the PRC ("Unit A")	**2,823**	2,759
Provision of real estate agency services in the PRC ("Unit B")	**12,785**	12,785
	15,608	15,544

During the year ended 31st December, 2010, management of the Group determines that there is no impairment of any of its CGUs containing goodwill with finite useful lives.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12.75% and 15.08% (2009: 16.58% and 20.99%) for Unit A and Unit B, respectively. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 3% (2009: a steady growth rate of 8%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

19. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 30th August, 2010, the Group acquired 100% of the issued share capital of Firstnet Group Limited at an aggregate consideration of HK$135,847,000 in which HK$5,269,000 was paid by cash and HK$130,578,000 was settled by issuance of 42,000,000 ordinary shares with par value of HK$0.01 each of the Company. The subsidiary of an associate of Firstnet Group Limited is engaged in property development for commercial use.

Consideration transferred

	HK$'000
Equity instruments issued	130,578
Cash	5,269
Total	135,847

The fair value of 42,000,000 ordinary shares with par value of HK$0.01 each of the Company issued as part of the consideration, determined using the published price available at the date of the acquisition, amounted to HK$130,578,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Interest in associates (note)	137,230
Other receivables	67
Bank balances and cash	2,956
Other payables	(4,406)
	135,847

Note: The principal asset of the associate is the leasehold land in PRC for the property development project. As at 31st December, 2010, the project is under development. The acquisition has been accounted for as an acquisition of assets as the companies acquired are not considered business.

Net cash outflow on acquisition

	HK$'000
Cash consideration paid	5,269
Less: cash and cash equivalent balances acquired	(2,956)
	2,313

20. INTEREST IN ASSOCIATES

	2010 HK$'000	2009 HK$'000
Interest in associates	**137,230**	—

As at 31st December 2010, the Group had interests in the following associated companies:

Name of Entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group Directly	Indirectly	Principal activities
Guangzhou Bao Lai Recycle Technology Company Ltd.	Establishment	The PRC	The PRC	Registered	26%	—	Investment holding
Guangzhou Hong Sheng Estate Company Ltd.	Establishment	The PRC	The PRC	Registered	—	13.3% (note)	Property development

Note: As at 31st December, 2010, Guangzhou Bao Lai Recycle Technology Company Ltd. held 51% of the Guangzhou Hong Sheng Estate Company Ltd. This represents the effective interest held by the Company.

The summarised financial information in respect of the Group's associates is set out below:

	HK$'000
Total assets	1,394,999
Total liabilities	(455,279)
Net assets	939,720
Group's share of net assets of associates	137,230

21. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2010 **HK$'000**	2009 HK$'000
Accounts receivables		
0 – 30 days	**129,478**	93,105
31 – 60 days	**64,159**	45,045
61 – 90 days	**64,625**	28,440
91 – 120 days	**35,095**	22,972
Over 120 days	**13,941**	11,734
	307,298	201,296

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK$13,941,000 (2009: HK$11,734,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history.

Ageing of accounts receivables which are past due but not impaired

	2010 **HK$'000**	2009 HK$'000
121 – 150 days	**9,432**	7,482
151 – 180 days	**4,509**	4,252
	13,941	11,734

Movement in the allowance for doubtful debts

	2010 **HK$'000**	2009 HK$'000
At 1st January	**6,281**	2,636
Amounts written off as uncollectable	**(1,374)**	—
Impairment losses recognised on receivables	**4,088**	3,645
At 31st December	**8,995**	6,281

22. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	2010 HK$'000	2009 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**1,234**	1,053
— Equity securities listed in Shenzhen	**—**	8,700
	1,234	9,753

23. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing ranging from 0.36% to 2.25% (2009: 0.36% to 1.35%) and have original maturity of three months or less.

24. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise deposits received, receipts in advance, accrued salary and other sundry creditors.

25. BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Secured	**40,235**	38,870
Unsecured	**—**	21,250
	40,235	60,120

The above bank borrowings are all repayable within one year.

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

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	**4.43% to 5.51%**	4.43% to 6.85%
Variable-rate borrowings	**N/A**	3.07%

As at 31st December, 2009, the Group has variable-rate borrowings of HK$21,250,000 which carried interest at HIBOR +1.5%. Interest was repriced annually.

The Group's borrowings that were denominated in foreign currency of Hong Kong Dollars as at 31st December, 2009 amounted to HK$21,250,000. As at 31st December, 2010, the Group's borrowings are all denominated in RMB.

26. SHARE CAPITAL

	Number of shares	Nominal amounts HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2009, 31st December, 2009 and 31st December, 2010	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2009 and 31st December 2009	296,000,000	2,960
Issued as consideration for the acquisition of 100% of the issued share capital of Firstnet Group Limited (note 1)	42,000,000	420
Exercise of share options (note 2)	8,065,000	80
Bonus issue of shares (note 3)	34,475,000	345
At 31st December, 2010	380,540,000	3,805

Notes:

1. On 30th August, 2010, 42,000,000 ordinary shares of the Company of HK$0.01 each were issued as part of the consideration for the acquisition of Firstnet Group Limited. Details of this acquisition were set out in note 19.

2. During the year ended 31st December, 2010, 8,065,000 share options of the Company had been exercised at the aggregate consideration of HK$20,677,000. Details of the movement in share options were set out in note 30.

3. On 4th October, 2010, 34,475,000 ordinary shares of the Company of HK$0.01 each were issued on a ten-to-one basis by way of capitalisation of part of the Company's share premium. Details of the bonus issues were set out in the circular of the Company dated 30th August, 2010.

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2009	6,481	13,809	20,290
Charge (credit) to profit or loss (note 10)	1,547	(2,002)	(455)
Exchange differences	38	78	116
At 31st December, 2009	8,066	11,885	19,951
(Credit) charge to profit or loss (note 10)	(5,087)	5,947	860
Exchange differences	240	596	836
At 31st December, 2010	**3,219**	**18,428**	**21,647**

27. DEFERRED TAX LIABILITIES (Continued)

At 31st December, 2010, the Group's PRC subsidiaries had unused tax losses of approximately HK$113,841,000 (2009: HK$105,482,000) available for offset against future profits. An analysis of the expiry dates of the tax losses is as follows:

	2010 HK$'000	2009 HK$'000
2013	**89,481**	100,840
2014	**3,902**	4,642
2015	**20,458**	—
	113,841	105,482

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of approximately HK$27,780,000 (2009: HK$17,247,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$399,512,000 (2009: HK$204,915,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. PLEDGE OF ASSETS

The Group had pledged the following assets for banking facilities granted to the Group:

	2010 HK$'000	2009 HK$'000
Investment properties	**30,828**	24,996
Leasehold land and buildings	**47,800**	65,879
	78,628	90,875

29. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of approximately HK$79,390,000 (2009: HK$51,525,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**82,503**	43,597
In the second to fifth year inclusive	**132,822**	72,996
Over five years	**4,349**	2,286
	219,674	118,879

29. OPERATING LEASES (Continued)

The Group as lessee (Continued)

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to five years.

The Group as lessor

Property rental income earned during the year was approximately HK$1,286,000 (2009: HK$1,288,000). All of the investment properties held have committed tenants for the next one to four years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010 HK$'000	2009 HK$'000
Within one year	**1,501**	1,041
In the second to fifth years inclusive	**3,396**	2,398
Over five years	**114**	—
	5,011	3,439

30. SHARE OPTIONS SCHEME

The Company's share option scheme ("the Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 24th June, 2004.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the Directors, the Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company was 18,000,000, which is not permitted to exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme and had been fully utilized by the Company. On 9th June, 2010, the Company's shareholders passed an ordinary resolution to refresh the 10% general limit under the Scheme in order to enable the Company to grant further options to subscribe up to a maximum of 29,600,000 shares representing approximately 7.75% of the total number of issued shares of Company as at the date of this annual report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

30. SHARE OPTIONS SCHEME (Continued)

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million within any 12-month period must be approved in advance by the Company's shareholders.

The following table disclose movements of the Company's share option held by directors and employees during the year, all the options have vesting date of 16th December, 2009, exercisable period from 16th December, 2009 to 15th December, 2012 and adjusted exercise price of HK$2.36 per share:

Directors	Granted during the year ended 31st December, 2009 and outstanding at 31st December, 2009	Exercised during the year	Adjustments upon bonus issue of shares	**Outstanding at 31st December, 2010**
Mr. FU Wai Chung	280,000	—	28,000	**308,000**
Ms. NG Wan	280,000	—	28,000	**308,000**
Ms. FU Man	2,800,000	—	280,000	**3,080,000**
Mr. LO Yat Fung	2,800,000	—	280,000	**3,080,000**
Mr. LAM King Pui	180,000	—	18,000	**198,000**
Mr. NG Keung	180,000	—	18,000	**198,000**
Mrs. WONG LAW Kwai Wah, Karen	180,000	—	18,000	**198,000**
Directors in aggregate	6,700,000	—	670,000	**7,370,000**
Employees in aggregate	11,300,000	(8,065,000)	445,000	**3,680,000**
Total	18,000,000	(8,065,000)	1,115,000	**11,050,000**
Exercisable at the end of the year				**11,050,000**
Weighted average exercise price	HK$2.60	HK$2.56	HK$2.36	**HK$2.36**

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$3.33.

The estimated fair value of the options granted to directors and employees at the date of grant is HK$0.905.

30. SHARE OPTIONS SCHEME (Continued)

These fair values were calculated using the Binominal model. The inputs into the model were as follows:

	2009
Closing share price as at the date of grant	HK$2.45
Exercise price (before adjustment of bonus issue)	HK$2.60
Expected volatility	84.48%
Expected life of options	3 years
Risk-free rate	0.86%
Expected dividend yield	2.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group has recognised the total expense of HK$16,284,000 for the year ended 31st December, 2009 in relation to share options granted by the Company. During the year ended 31st December, 2010, no expense in relation to share options has been recognised.

31. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 or 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

32. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2010 HK$'000	2009 HK$'000
Short term benefits	**7,662**	6,947
Post-employment benefits	**52**	52
Share-based payment expenses	**—**	7,873
	7,714	14,872

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2010 %	2009 %	Principal activities	Place of operation
Guangdong Hope Real Properties Limited (note 2)	13th February, 1996 The PRC	Registered	RMB2,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Guangzhou New Profits Properties Agency Limited (note 3)	12th May, 1998 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent (BVI) Limited (note 3)	8th August, 2002 British Virgin Islands ("BVI")	N/A	US$100	**100**	100	Investment holding	Hong Kong
Sino Estate Holdings Limited (note 3)	6th November, 2003 BVI	N/A	US$100	**100**	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (note 3)	16th March, 1998 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent (China) Real Properties Consultancy Limited (note 3)	31st July, 2001 The PRC	Registered	HK$50,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited (note 3)	14th March, 2002 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent Properties Limited (note 3)	7th September, 2001 Hong Kong	Ordinary	HK$100	**100**	100	Provision of real estate agency services in the PRC	Hong Kong
Hopefluent Promotion Limited (note 3)	5th October, 2001 Hong Kong	Ordinary	HK$100	**100**	100	Provision of advertising and marketing services in the PRC	Hong Kong
Hopefluent (Hong Kong) Limited (note 3)	11th May, 2001 Hong Kong	Ordinary	HK$100,000	**100**	100	Investment holding	Hong Kong
Foshan Hopefluent Real Properties Consultancy Limited (note 3)	1st September, 2003 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Dongguan Hopefluent Real Properties Consultancy Limited (note 3)	4th November, 2003 The PRC	Registered	RMB1,000,000	**86**	86	Provision of real estate agency services in the PRC	The PRC

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2010 %	2009 %	Principal activities	Place of operation
Hubei Hopefluent Real Properties Consultancy Limited (note 3)	1st April, 2004 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Shanghai Hope Realty Consultancy Limited (note 2)	29th October, 2004 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited (note 2)	19th October, 2004 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Asia Asset Property (China) Limited	27th February, 1998 Hong Kong	Ordinary	HK$5,323,000	**80**	80	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd. (note 2)	10th August, 1998 The PRC	Registered	US$630,000	**80**	80	Provision of property management services in the PRC	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd. (note 2)	5th August, 1999 The PRC	Registered	RMB5,000,000	**80**	80	Provision of property management services in the PRC	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd. (note 2)	26th June, 1995 The PRC	Registered	HK$5,000,000	**80**	80	Provision of property management services in the PRC	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (note 3)	19th May, 1995 The PRC	Registered	RMB2,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Bola Realty Guarantee (Guangzhou) Limited (formerly known as Bola Realty Financing (Guangzhou) Limited) (note 3)	7th August, 2002 The PRC	Registered	RMB60,000,000	**97**	97	Provision of mortgage referral services in the PRC	The PRC
Guangdong Hopefluent Real Properties Consultancy Limited (note 3)	11th August, 2005 The PRC	Registered	RMB5,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Henan Hopefluent Real Properties Consultancy Limited (note 3)	16th November, 2004 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Jinan Hopefluent Real Properties Consultancy Limited (note 3)	8th April, 2005 The PRC	Registered	RMB2,010,000	**100**	100	Provision of real estate agency services in the PRC	The PRC

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2010 %	2009 %	Principal activities	Place of operation
Anhui Hopefluent Real Properties Consultancy Limited (note 3)	9th September, 2005 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Jun Hua Auction (Guangzhou) Limited (note 3)	20th August, 2004 The PRC	Registered	RMB5,000,000	**80**	80	Provision of property auction services in the PRC	The PRC
Guangzhou Bright Profits Properties Agency Limited (note 3)	9th December, 2005 The PRC	Registered	RMB2,000,000	**72.5**	72.5	Provision of real estate agency services in the PRC	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (note 3)	27th April, 2007 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Guangdong Wanjia Information Company Limited (note 3)	19th April, 2005 The PRC	Registered	RMB5,000,000	**100**	100	Investment holding	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (note 3)	17th September, 2008 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Firstnet Group Ltd. (note 3)	1st July, 2008 BVI	Ordinary	US$1	**100**	–	Investment holding	Hong Kong
Top Trade International Investment Ltd. (note3)	22nd May, 2009 Hong Kong	Ordinary	HK$1	**100**	–	Investment holding	Hong Kong
Guangzhou Gui Chuang Recycle Technology Company Limited (note 3)	31st August, 2009 The PRC	Registered	HK$3,000,000	**100**	–	Investment holding	The PRC

Notes:

1. The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.

2. The companies are sino-foreign equity joint ventures.

3. The companies are limited liability companies.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group as at 31st December, 2010 which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

34. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2010 HK$'000	2009 HK$'000
TOTAL ASSETS	**431,574**	322,321
TOTAL LIABILITIES	**6**	22
	431,568	322,299
SHARE CAPITAL AND RESERVES		
Share capital (note 26)	**3,805**	2,960
Reserves	**427,763**	319,339
	431,568	322,299

35. COMMITMENTS

On 5th November, 2009, Hope Land Realty Investment Limited ("Hope Land"), a wholly owned subsidiary of the Company, entered into an agreement with Apex Honour Investments Limited ("AHIL") pursuant to which Hope Land agreed to acquire the entire share capital of Firstnet Group Limited, a wholly owned subsidiary of AHIL. As an aggregate consideration of issuance of 42,000,000 ordinary shares of the Company of HK$0.01 each and the cash balance of HK$ 5,269,000. This transaction was conditional and subject to the Board of Directors' approval. Details of this transaction were included in a published announcement of the Company dated 5th November, 2009.

On 30th August, 2010, the above transaction was completed. Further details of the transaction were set out in note 19.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31st December,				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
RESULTS					
Turnover	452,160	773,654	683,927	995,450	**1,327,796**
Profit (loss) before tax	106,547	159,016	(61,395)	168,398	**254,927**
Income tax expense	(27,415)	(41,117)	(17,753)	(40,028)	**(78,584)**
Profit (loss) for the year	79,132	117,899	(79,148)	128,370	**176,343**
Attributable to:					
Owners of the Company	73,469	109,820	(75,176)	125,586	**171,494**
Non-controlling interests	5,663	8,079	(3,972)	2,784	**4,849**
	79,132	117,899	(79,148)	128,370	**176,343**

	At 31st December,				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	592,461	722,949	675,003	863,694	**1,210,324**
Total liabilities	129,094	175,448	181,347	227,072	**261,187**
Total equity	463,367	547,501	493,656	636,622	**949,137**
Attributable to:					
Owners of the Company	427,273	520,951	471,427	615,302	**923,564**
Non-controlling interests	36,094	26,550	22,229	21,320	**25,573**
	463,367	547,501	493,656	636,622	**949,137**