TOMORROW INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 760)

Together we build a better COMMUNITY

ANNUAL REPORT 2010

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of Tomorrow International Holdings Limited ("Tomorrow" or the "Company"), I am pleased to present the audited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2010 ("FY2010").

The Group's profit attributable to the owners of the Company for FY2010 was approximately HK$531.1 million (2009: loss of approximately HK$8.4 million).

For FY2010, profit per share amounted to approximately HK$23.63 cents (2009: loss of approximately HK$0.37 cents). As at 31 December 2010, the Group's net cash position amounted to approximately HK$777.4 million (2009: approximately HK$636.4 million) representing 41.4% (2009: 86%) of the equity attributable to owners of the Company of approximately HK$1,877.3 million (2009: approximately HK$739.8 million).

Performance of electronic products division has been improved in FY2010 following the recovery in global market and our continuous efforts in marketing, product development and cost control. Electronic products division has recorded operational profit of approximately HK$10.2 million in FY2010 (2009: operational loss of approximately HK$1.9 million). Turnover of electronic products division for FY2010 increased to approximately HK$345.4 million compared with approximately HK$281.9 million in year 2009, representing increase of 22.5%. Despite there were favourable changes in market condition in FY2010, the management will continue to be cautious on the uncertainties about the Japanese market, and inflation concern in the PRC which may lead to increase in production costs of the division.

On 10 December 2010, the Group completed the acquisition of Talent Central Limited (details of which were set out in the circular to shareholders dated 29 October 2010). Talent Central Limited, through its subsidiaries, holds interests in various real estate development and property investment projects in Guangdong Province and Hainan Province in the People's Republic of China. The Company believes the diversification into the property sector in the PRC by means of the acquisition will enable the Group to broaden its income source and provide the Group with opportunity to capture the growth potential of this sector in the PRC. Currently, there are five projects under construction, each at different stage of development. In the coming year, the Company will strive to ensure the completion of these projects on schedule; and at the same time, continue to look for new development and investment opportunities in the Pearl River Delta region with focus on old town redevelopment and redevelopment of industrial sites. The Company is confident that our core competence in old town redevelopment projects as highlighted in the Linhe Rebuilding Project will create more value to our stakeholders.

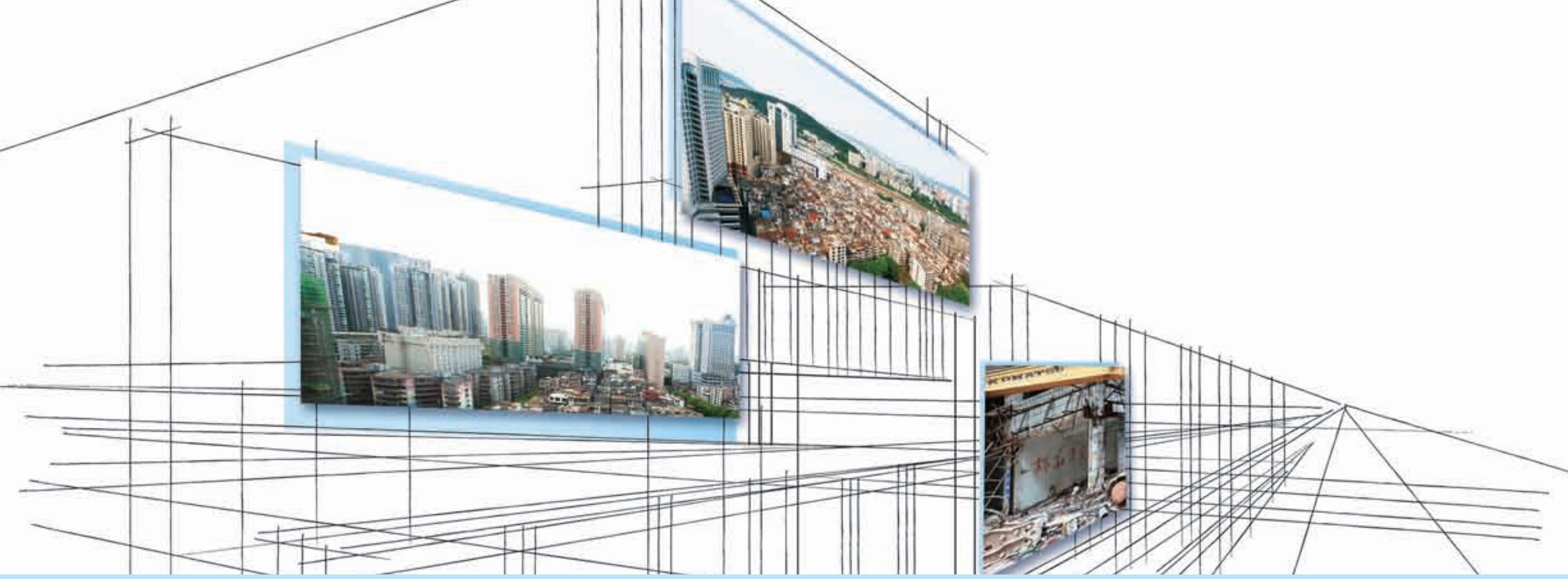
The equity and commodity investments business has recorded profit of approximately HK$162,000 in FY2010 (2009: approximately HK$676,000).

Loan financing business remained inactive during FY2010.

On behalf of our board of directors and management team, I would like to take this opportunity to thank our loyal Shareholders, business partners and customers for their continuous support and encouragement and our employees for their hard work and dedication. I look forward to having a brighter future ahead.

YAU Tak Wah, Paul
Chairman

30 March 2011



Management Discussion and Analysis

BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the trading of listed equity investments and commodities and the provision of loan financing. After the Group completed the acquisition of Talent Central Limited on 10 December 2010 (details of which were set out in the circular to shareholders dated 29 October 2010), the Group has diversified into real estate development, property investment and hotel operation in the PRC.

Electronics Product Division

Revenue generated from the electronic products division increased by 22.5% to approximately HK$345.4 million (2009: approximately HK$281.9 million). Electronic products division has recorded operational profit of HK$10.2 million in FY2010 compared with operational loss of approximately HK$1.9 million in year 2009 due to improvement in the global market condition.

PRC Property Development Division

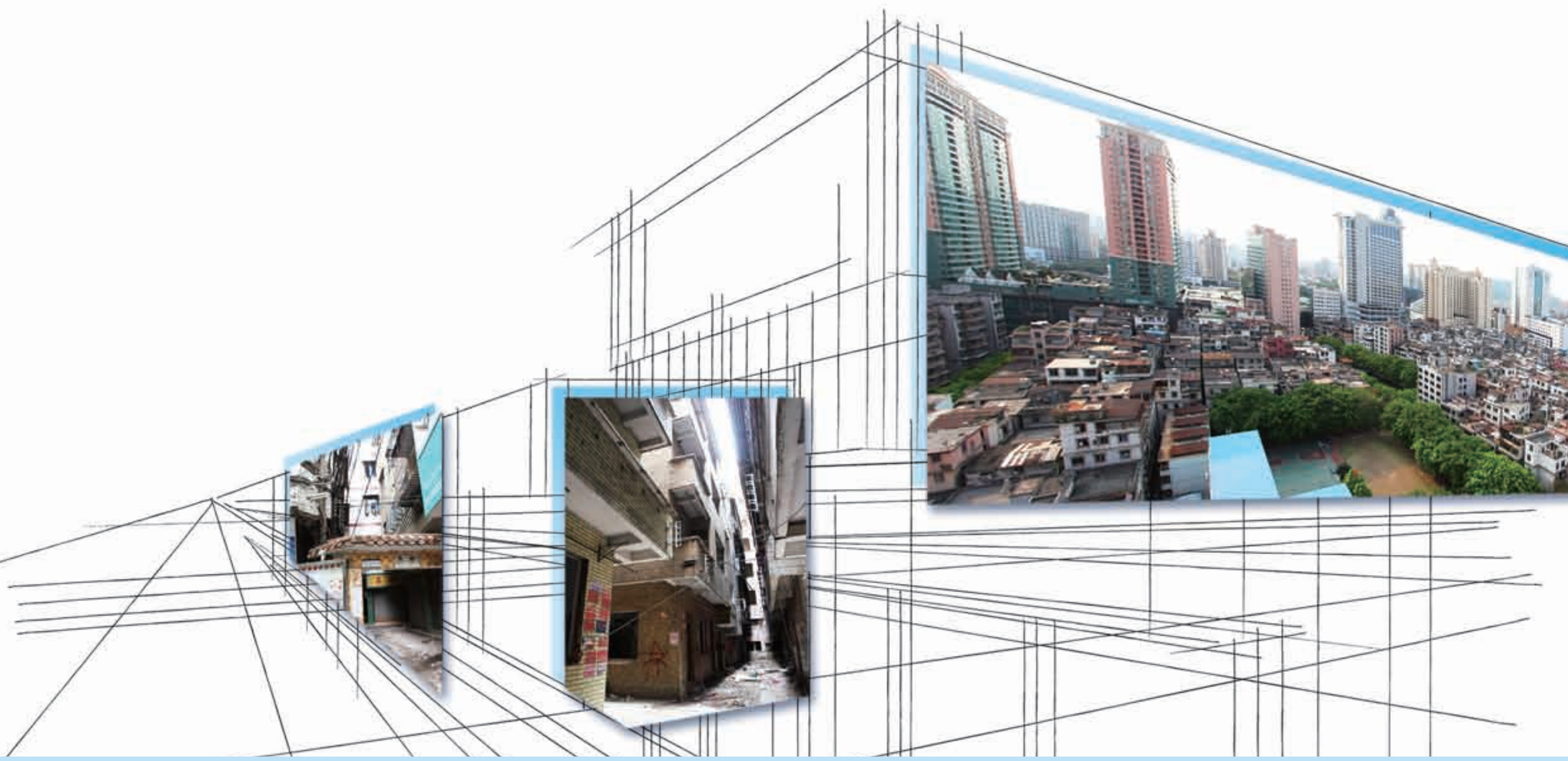
On 10 December 2010, the Group completed the acquisition of Talent Central Limited (details of which were set out in the circular to shareholders dated 29 October 2010), which through its subsidiaries, holds interests in various real estate developments with an aggregate gross floor area of approximately 500,000 square meters in the People's Republic of China, mainly in Guangdong Province and Hainan Province. The Board believes the diversification into real estate development and property investment in the PRC by means of the acquisition will enable the Group to broaden its income source and provide the Group with opportunity to capture the growth potential of the property sector in the PRC. The Board also believes the investment properties and the grand opening of hotel which is estimated in third quarter of 2011 will generate stable income source for the Group and enhance its investment portfolio and profitability in the long run.

Equity and Commodity Investments Division

The equity and commodity investments division has recorded profit of approximately HK$162,000 in FY2010 (2009: approximately HK$676,000).

Loan Financing Division

Loan financing business remained inactive during FY2010.



Management Discussion and Analysis

COMPLETED PROPERTIES

The information of the Group's completed properties as at 31 December 2010 was as follow:

Project and address	Site area (sq.m.)	Total saleable GFA (sq.m.)	Total saleable GFA sold (sq.m.)	Percentage interest %	Purpose
Shangyu Garden, No. 45 Tianhe Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	28,409	13,189	2,214	100%	Residential and car park
South Lake Village Phase I, Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	103,732	15,773	—	100%	Residential

PROPERTIES UNDER DEVELOPMENT

The information of the Group's properties under development as at 31 December 2010 was as follow:

Project and address	Site area (sq.m.)	Planned GFA (sq.m.)	Percentage interest %	Stage of completion (at the date of annual report)	Expected completion date
South Lake Village Phase II, Tonghe Road, Baiyun District, Guangzhou City, Guangdong Province, the PRC	118,102	98,418	100%	Not yet commence construction	4th quarter 2013
Yuhaiwan Haisheng Road, Xiuying District, Haikou City, Hainan Province, the PRC	48,324	126,386	63.2%	50%	2nd quarter 2012
Linhe Rebuilding Project Tianhe District, Guangzhou City, Guangdong Province, the PRC	57,793	400,000	30%	Early stage of construction	4th quarter 2013
Swan Bay Garden South of Qiongzhou Bridge, Qiongshan District, Haikou City, Hainan Province, the PRC	199,539	239,447	25%	Not yet commence construction	4th quarter 2013

Management Discussion and Analysis

INVESTMENT PROPERTIES

The information of the Group's investment properties as at 31 December 2010 was as follow:

Location	Lease term of land	Purpose	Gross area (sq. m.)
165 commercial units of Dongming Xuan, Nos. 199, 203–231 Zhongshan 4th Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Medium	Commercial	18,885
1/F. of Nos. 19–21, 1/F. of Nos. 23–24, Basement 1 and 1/F. to 4/F. of No. 26, 1/F., of No. 27 and 1/F. of No. 29 of Tianlun Garden, Nos. 17–29 Jianshe Si Ma Lu, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	Medium	Commercial	15,190
18 commercial units of Phase II of Jingang Garden, No. 38 Lixiang Road, Huangpu District, Guangzhou City, Guangdong Province, the PRC	Medium	Commercial	12,967

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

HOTEL

The information of the Group's hotel as at 31 December 2010 was as follow:

Location	Lease term of land	Purpose	Star-rating	Number of rooms
Linhe Xiheng Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	Medium	Hotel	According to five-star rating standard (under construction)	505

Note: Medium is defined as the term of land use rights granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

Management Discussion and Analysis

FINANCIAL REVIEW

Review of Results

The revenue of the Group for the year ended 31 December 2010 of approximately HK$409.4 million represented an increase of approximately 39% compared to approximately HK$294.2 million recorded in the corresponding period of last year. The increase in turnover was a result of recovery in global electronics market, and our continued effort in exploring new markets and developing new products. At the same time, we have implemented several cost cutting measures so as to improve the performance of the electronic products segment. Moreover, there was gain on bargain purchase of subsidiaries amounted to approximately HK$556.6 million after taking into account of the change in fair value of the convertible notes and the promissory notes issued by the Company in December 2010. As a result, a net profit of HK$530.2 million was recorded for FY2010 as compared with a loss of approximately HK$8.4 million for the last financial year.

As at the year ended date, the Group maintained a net cash position with cash at banks and in hand of approximately HK$777.4 million (2009: approximately HK$636.4 million) representing 41.4% (2009: 86%) of the equity attributable to owners of the Company of approximately HK$1,877.3 million (2009: approximately HK$739.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 December 2010 were approximately HK$8,859.2 million (2009: approximately HK$797.6 million) which were financed by the total equity and total liabilities (including convertible notes and promissory notes) of approximately HK$2,468.5 million (2009: approximately HK$739.8 million) and approximately HK$6,390.7 million (2009: approximately HK$57.8 million) respectively.

The directors consider the Group will have sufficient working capital for its operations and financial resources for financing future investment opportunities in suitable business ventures.

The Group borrowings, bank balances and cash were mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 2010, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

CAPITAL STRUCTURE

On 10 December 2010, convertible notes and promissory notes in principal amount of HK$3,100 million and HK$160 million respectively were issued as part of the consideration to a vendor for the acquisition of Talent Central Limited (details of which were set out in the circular to shareholders dated 29 October 2010). The Group's gearing ratio then computed as total debts over total assets was approximately 72.1% as at 31 December 2010 (2009: 7.2%).

EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi, and the cost of production and purchase are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk.

CHARGES ON ASSETS

As at 31 December 2010, certain assets of the Group with an aggregate amount of approximately HK$4,919.4 million (2009: Nil), represented by properties under development of approximately HK$2,208.8 million (2009: Nil), investment properties of approximately HK$1,084.8 million (2009: Nil), construction-in-progress of approximately HK$515.2 million (2009: Nil) and land use right of approximately HK$1,110.6 million (2009: Nil), were pledged to secure general banking facilities.

PROSPECTS

The Electronic Products Division

The Group has grasped the opportunities in global market recovery, and our efforts in marketing, product development and cost control in electronic products division has been paid off in year 2010. However, the trend of increasing direct costs in the PRC poses uncertainties ahead. Moreover, the fluctuation of Japanese Yen may affect the margin in products that require components imported from Japan. The division will consider to focus on those products with high profit margin in order to maximise profits rather than to boost revenue. The electronic division will continue its effort in marketing, product development and cost control to overcome the uncertainties in the market.

In the ensuing year, it is expected the operating environment for the Group's electronics business remains challenging. The Group intends to focus on controlling the overhead and improving the margin.

The PRC's Property Market

The Group is constantly seeking opportunity to capture the growth potential of the property sector in the PRC. After the acquisition of Talent Central Limited, it is envisaged the Group will generate substantial revenues from the sale of residential and commercial properties developed by its project companies and from the hospitality sector through the operation of the hotel. The Board also believes the investment properties held by the Group will generate stable income and enhance its investment portfolio and profitability in the long run. It is also expected the various projects under development in Guangzhou and Haikou will be the key growth engine for the Group's operation.

During the financial year, the Group's turnover on property development and investment business has recorded approximately HK$64 million.

NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 December 2010, the Group had approximately 1,564 (2009: 1,400) employees, with about 1,513 in the Mainland China, 2 in Macau and 49 in Hong Kong. All employees are remunerated based on industry practice and in accordance with prevailing labor law. In Hong Kong, apart from basic salary, staff benefits including medical insurance, performance related bonus, and mandatory provident fund would be provided by the Group.

There has been no change to the terms of the share option scheme adopted by the Company on September 2002. No new share options were granted during the current year. No share option was exercised during the year and the outstanding share options granted to directors and employees as at 31 December 2010 (2009: Nil) are set out in note 37 to the consolidated financial statements.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YAU Tak Wah, Paul — Chairman, aged 55, is the founder of the Group and is primarily responsible for corporate strategic planning. He holds a bachelor of science degree in mechanical engineering and has more than 25 years' experience in the electronics industry. Before he established the Group, Mr. Yau worked as design engineer in a renowned US electronics company operating in Hong Kong where he gained invaluable experience in production design and established close business relationships with various electronics manufacturers in Hong Kong.

Ms. LOUIE Mei Po — Director, aged 43, is responsible for business investment and development of the Group. Ms. Louie holds a master's degree in Business Administration and a bachelor's degree in Social Science from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Louie was the executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She has over 15 years' experience in business investment and development. She joined the Group in February 2000.

Ms. LIU Yee Nee — Director, aged 45, is responsible for finance and is the company secretary of the Group. Ms. Liu holds a master degree of Business Administration from the Hong Kong University of Science & Technology and is a member of The Chartered Institute of Management Accountants, The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Institute of Chartered Secretaries & Administrators and The Hong Kong Institute of Company Secretaries and has over 22 years experience in the field of accounting and management. She joined the Group in August 2007.

Mr. NG Pui Keung, aged 42, is responsible for business development and project investment, and is also the head of the urban rebuilding development research center. Mr. Ng obtained his bachelor degree in international relations from Meiji Caikuin University, Japan. Mr. Ng is a member of commissary of the people's political consultative conference of Liwan District, Guangzhou City. He has over 15 years of experience in the property development industry. He was the general manager of business development department in Talent Holdings Limited and was responsible for finalising the cooperation with the manager of the Hotel. He was also involved in the negotiation leading to the cooperation and financing of the Linhe Rebuilding project. Prior to that, he worked for Asset Managers (Asia) Co., Ltd. (Japan) focusing on property investment for approximately 10 years. He joined the Group in December 2010.

Mr. YOU Xiaofei, aged 47, is responsible for the financial management of PRC property development projects. Mr. You obtained his bachelor degree in accounting from Jinan University. He is a qualified accountant in the PRC and has over 25 years of experience in finance and management. He was a director, deputy general manager and chief financial officer of Heilongjiang Tianlun Real Estate Development Co., Ltd, a listed company in the PRC engaging in property development, investment and mining, from 11 November 2006 to 1 September 2010. Prior to that, he worked in various companies in Hong Kong and the PRC engaging in property development, manufacturing and tourism. He joined the Group in December 2010.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Wai Hung — Director, aged 47, is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies. He frequently advises multinational and Hong Kong corporations on private equity investments, joint ventures as well as regulatory compliance. He joined the Group in March 2000. He is an independent non-executive director of Fortune Sun (China) Holdings Limited (Stock Code: 352), HyComm Wireless Limited (Stock Code: 499) and KTP Holdings Limited (Stock Code: 645).

Mr. CHEUNG Chung Leung, Richard — Director, aged 57, has 34 years of experience as an architect and real estate investment adviser. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor of Architecture. He is a member of the Hong Kong Institute of Architects and a Registered Architect pursuant to the Architects Registration Ordinance. He joined the Group in March 2000.

Mr. LO Wai Hung, age 51, obtained a bachelor degree in Commerce from James Cook University of North Queensland, Australia. Mr. Lo is an associate member of Institute of Chartered Accountants in Australia and a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Lo was appointed as an independent non-executive director and a member of audit committee of the Company on 1 February 2011. Mr. Lo is also an independent non-executive director of Shandong Weigao Group Medical Polymer Company Limited (Stock Code: 1066), which is listed on the Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. WEI, Andrew Yick Siu, aged 41, is the business development director with more than 19 years experience in Japanese market. He graduated from the University of Toronto in 1992 with a bachelor degree in Arts & Science. Mr. Wei worked in various leading Japanese trading companies and buying offices in the electronics field before joining the Group in 2000.

Mr. KIANG Shun Hung, aged 40, is the marketing director, responsible for the sales operation and marketing activities of the Group's electronics product division and ODM/OEM product development team. He holds a bachelor of degree in social sciences and has over 17 years' sales and marketing experience in consumer electronics business. He joined the Group in 1998.

Mr. LEUNG Hung Tat, aged 45, is the general manager, responsible for the manufacturing operations of the Group's electronic products division. He holds a master degree in engineering management and has over 11 years experience in quality system management. He joined the Group in 1995.

Mr. LAM Kam Wan, aged 43, is the senior R&D manager, responsible for the Group's product design and development and technical support. He holds a bachelor degree in electronic engineering and has over 16 years experience in electronic product development. He joined the Group in 2009.

Mr. YU Xiaoyong, aged 36, is the deputy chairman of the Group's property development sector, responsible for project investments of the Group. He obtained his bachelor degree in applied-geophysics exploration from Changchun University of Geology and a master degree in business and administration from Sun Yat-Sen University. He is responsible for the acquisition and development of all existing projects of the Group. Prior to that, he worked in a property development company and was responsible for project technology management and cost control for about seven years. He joined the Group in December 2010.

Corporate Governance Report

The board of directors (the "Board") of the Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes effort to identifying and formalising best practices. The Company has applied the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules.

THE BOARD

To protect and enhance shareholder value, the Board acts with integrity and due care for the best interests of the Company and its shareholders. The Board is collectively responsible for leadership and for promoting the success of the Company by directing and supervising its affairs. Leading the Group in a responsible and effective manner, the Board adopts formal terms of reference which detail its functions and responsibilities, including, but not limited to, ensuring competent management, approving objectives, strategies and business plans and monitoring integrity in the Company's conduct of affairs.

During the financial year ended 31 December 2010, the Board held five regular meetings at approximately quarterly intervals according to the Code. The attendance of each director was as follows:

	The Board		Audit Committee	
	Number of meeting	Attendance	Number of meeting	Attendance
Executive Director				
Mr. Yau Tak Wah, Paul *(Chairman of the Board)*	5	5	4	N/A
Ms. Louie Mei Po	5	5	4	N/A
Ms. Wong Shin Ling, Irene (resigned on 10 December 2010)	5	5	4	N/A
Ms. Liu Yee Nee	5	5	4	2
Mr. Ng Pui Keung (appointed on 10 December 2010)	5	1	4	N/A
Mr. You Xiaofei (appointed on 10 December 2010)	5	1	4	N/A
Independent non-executive Director				
Mr. Ng Wai Hung *(Chairman of the Audit Committee)*	4	4	4	4
Mr. Cheung Chung Leung, Richard	4	4	4	4
Mr. Wu Wang Li (resigned on 31 January 2011)	4	4	4	4

Currently, the Company does not appoint chief executive officer. In view of the operation of the Group, the Board believes that the present structure of the Board will provide a strong leadership for the Group to implement prompt decisions and to formulate efficient strategies, which is for benefits of the Group.

Moreover, the day-to-day operation of the Group's businesses are shared among those executive directors and the management of the Company. Therefore, there should be a clear division of the responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Together with a balanced of skill and experience for the business of the Group, a balanced composition of executive and independent non-executive director of the Board shall exercise effective independent judgment. Currently, the Board comprises of eight directors, of which five are executive directors, namely Mr. Yau Tak Wah, Paul, Ms. Louie Mei Po, Ms. Liu Yee Nee, Mr. Ng Pui Keung and Mr. You Xiaofei and three independent non-executive directors, namely Mr. Ng Wai Hung, Mr. Cheung Chung Leung, Richard and Mr. Lo Wai Hung.

During the period, there were three independent non-executive directors of the Company, namely Mr. Ng Wai Hung (Mr. Ng), Mr. Cheung Chung Leung, Richard (Mr. Cheung) and Mr. Wu Wang Li (Mr. Wu). Mr. Ng and Mr. Cheung are not appointed for any specific fixed term and Mr. Wu was appointed for the term of one year from 27 September 2010 and resigned on 31 January 2011. On 1 February 2011, Mr. Lo Wai Hung was appointed as an independent non-executive director for a term of two years and subject to retirement and re-election in accordance with the bye-laws of the Company. In accordance with the bye-laws of the Company, at each annual general meeting of the Company one third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less exacting than those in the Code A4.1 and 4.2.

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

The management is obliged to supply the Board with adequate information in a timely manner to enable the members to make informed decisions and to discharge their duties and responsibilities. Each director has separate and independent access to the Group's senior management to acquire more information and to make further enquiries if necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Currently, there is no remuneration committee in the Board. Meanwhile, the Board conducts an informal assessment of the individual director's contribution so that no director decides his or her own remuneration and their remuneration has been relatively stable in the past years. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonus and mandatory provident fund would be provided by the Group.

ACCOUNTABILITY AND AUDIT

The Board is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Board has adopted Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations.

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 audit committee comprises three independent non-executive directors (the "Audit Committee") and reports to the board of directors. The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the adequacy and effectiveness of the internal control systems and focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

For the year ended 31 December 2010, the fees paid/payable to the auditor of the Company in respect of the audit services and non audit services in 2010 were amounted to approximately HK$1.2 million and HK$1.25 million respectively.

INTERNAL CONTROL

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls, risk management functions and adequacy of training, resources, qualifications and experience of staff of accounting and financial reporting functions. Areas for improvement have been identified and appropriate measures taken so as to safeguard the shareholders' investment and the Company's assets.

DELEGATION BY THE BOARD

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

COMMUNICATION WITH SHAREHOLDER

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public at large, the Company maintains a website (http://www.tihl.com.hk) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and shareholders circulars are being made available.

All shareholders of the Company are given at least 21 days notice of the date and venue of the annual general meeting. According to the Listing Rules, the Board will conduct voting at the forthcoming annual general meeting by vote.

The Board is endeavour to maintain an on-going dialogue with shareholders. The chairman of the Board and member of the Audit Committee should attend the annual general meeting to answer questions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiries of all directors of the Company, they have confirmed that they complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

Report of the Directors

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 19 to the consolidated financial statements. Its subsidiaries are principally engaged in the (i) the design, development, manufacture and sale of electronic products; (ii) property development and investment in the People's Republic of China ("PRC"); (iii) the trading of listed equity investments and commodities; (iv) the provision of loan financing; and (v) the hotel operation.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales of the Group's five largest customers accounted for 52.8% (2009: 57.5%) of the total sales for the year and sales to the largest customer included therein amounted to 22.1% (2009: 30.2%) of the total sales. Purchases of the Group's five largest suppliers accounted for 33.9% (2009: 26.4%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 10.7% (2009: 6.4%) of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 20 to 21.

DIVIDEND

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 27 and note 36 to the consolidated financial statements respectively.

SUBSTANTIAL INVESTMENT AND ACQUISITION

On 10 December 2010, the Group has completed the acquisition of Talent Central Limited and its subsidiaries. Details of the acquisition had been set out in the circular to the shareholders dated 29 October 2010.

SHARE CAPITAL

During the year, there was no new share issued.

During the year, convertible notes of principal amount of HK$3,100 million were issued as part of the consideration for the acquisition of Talent Central Limited and its subsidiaries (details of which were set out in the circular to shareholders dated 29 October 2010).

Details of movements during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

CONVERTIBLE NOTES

Convertible notes (the "Notes") of the Company were issued on 10 December 2010 upon completion of the acquisition of Talent Central Limited. Details of the acquisition had been set out in the circular to the shareholders dated 29 October 2010.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2010 are set out in note 38 to the consolidated financial statements.

FINANCIAL SUMMARY

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Property, plant and equipment and leasehold land and land use rights	**1,706,701**	66,041	66,984	97,383	104,509
Investment properties	**1,146,409**	—	—	—	18,542
Interests and amount due from an associate	**539,388**	—	—	151,367	151,367
Prepaid rental	**—**	—	—	429	1,166
Deferred product development costs	**751**	937	1,000	7,880	8,387
Loans receivable	**—**	—	—	—	562
Deposits for acquisition of property, plant and equipment	**—**	3,707	—	—	—
Available-for-sale financial assets	**3,036**	2,815	1,901	46,066	33,612
Current assets	**5,462,937**	724,053	794,720	825,204	774,051
Total assets	**8,859,222**	797,553	864,605	1,128,329	1,092,196
Current liabilities	**1,806,942**	55,592	113,182	156,224	135,634
Provision for long service payment	**2,160**	2,160	2,963	570	570
Deferred tax	**1,139,046**	—	—	—	1,319
Interest-bearing borrowings	**1,325,658**	—	—	—	—
Convertible notes	**1,981,639**	—	—	—	—
Promissory notes	**135,272**	—	—	—	—
Obligations under financial lease	**—**	39	100	132	—
Total liabilities	**6,390,717**	57,791	116,245	156,926	137,523
Net assets	**2,468,505**	739,762	748,360	971,403	954,673

Report of the Directors

DIRECTORS

As at the date of this report, the directors of the Company during the year were as follows:

Chairman:

Mr. YAU Tak Wah, Paul *(Chairman and Executive Director)*

Executive Directors:

Ms. LOUIE Mei Po
Ms. LIU Yee Nee
Mr. NG Pui Keung (appointed on 10 December 2010)
Mr. YOU Xiaofei (appointed on 10 December 2010)
Ms. WONG Shin Ling, Irene (resigned on 10 December 2010)

Independent Non-executive Directors:

Mr. NG Wai Hung
Mr. CHEUNG Chung Leung, Richard
Mr. LO Wai Hung (appointed on 1 February 2011)
Mr. WU Wang Li (resigned on 31 January 2011)

In accordance with the Company's bye-laws, Ms. Louie Mei Po, Mr. Cheung Chung Leung, Richard, Mr. Ng Pui Keung, Mr. You Xiaofei and Mr. Lo Wai Hung will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 and 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Lo Wai Hung, an independent non-executive director, has entered his service contract with the Company for a term of two years from 1 February 2011 with the annual director fee of HK$216,000 and subject to rotation and re-election in accordance with the bye-laws of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract, which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

For the period under review, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of part XV of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Yau Tak Wah, Paul	2,000,000	0.09
Ms. Louie Mei Po (Ms. Louie)	11,785,710	0.52
Ms. Wong Shin Ling, Irene (Ms. Wong) (resigned on 10 December 2010)	13,000,000	0.58

On September 2007, each of Ms. Louie and Ms. Wong was granted a share option, which both of them were entitled to 22,470,000 shares at the option price of HK$0.296 each. The option period is 25 September 2007 to 24 September 2012. Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SECURITIES

Save as disclosed in the share option scheme disclosures in note 37 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

On the date of this report, the following interest of 5% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Note	Number of ordinary shares held	Number of underlying shares interest	Percentage of the company's issued share capital
Winspark Venture Limited	1	996,509,340	—	44.33%
Talent Trend Holdings Limited	2	—	9,393,939,393	417.84%

Notes:

(1) The entire issued share capital of Winspark Venture Limited is directly, beneficially and wholly owned by Mr. Chan Yuen Ming.

(2) The entire issued share capital of Talent Trend Holdings Limited is directly, beneficially and wholly owned by Mr. Zhang Gao Bin.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation" 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.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the connected and related party transactions are set out in note 47 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 10 to 12 of the annual report.

EMOLUMENT POLICY

Currently, there is no remuneration committee in the Board. Meanwhile, the Board conducts an informal assessment of the individual director's contribution so that no director decides his or her own remuneration and their remuneration has been relatively stable in the past years. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 37 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his 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 are independent.

CONTINUING CONNECTED TRANSACTIONS

There is no continuing connected transaction.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

AUDITORS

The Company's former auditors Grant Thornton resigned as the auditors of the Company with effect from 6 December 2010 and Messrs. Cheng & Cheng Limited was appointed as the auditors of the Company on 10 December 2010 to fill in the casual vacancy in the office of the auditors. Apart from this, Messrs. CCIF CPA resigned as auditors of the Company on 27 November 2008. Grant Thornton was appointed to fill the casual vacancy as the auditors of the Company on 1 December 2008. There has been no other changes in auditors of the Company in any of the three preceding years other than mentioned above. A resolution will be tabled in the annual general meeting to re-appoint Messrs. Cheng & Cheng Limited as auditors of the Company.

Independent Auditors' Report

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

To the members of Tomorrow International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tomorrow International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' judgments, 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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.

Independent Auditors' Report

OPINION

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

Cheng & Cheng Limited
Certified Public Accountants (Practising)
Hong Kong, 30 March 2011

Cheng Hong Cheung
Practising Certificate number P01802

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Revenue	6	**409,402**	294,199
Cost of sales		**(346,803)**	(246,330)
Gross profit		**62,599**	47,869
Other revenue and net income	7	**12,194**	11,692
Gain on bargain purchase of subsidiaries	42	**556,615**	—
Gain on disposal of available-for-sale financial assets		**4,333**	—
Distribution costs		**(6,752)**	(6,016)
Administrative and other operating expenses		**(84,629)**	(68,998)
Finance costs	8	**(14,570)**	—
Profit/(loss) before income tax	9	**529,790**	(15,453)
Income tax credit/(expense)	12	**398**	(388)
Profit/(loss) for the year from continuing operations		**530,188**	(15,841)
Discontinued operations			
Gain for the year from discontinued operations, attributable to the owners of the Company	13	**—**	7,455
Profit/(loss) for the year		**530,188**	(8,386)
Other comprehensive income			
Release of translation reserve upon disposal of subsidiaries		**—**	146
Surplus on revaluation of buildings		**6,432**	7,627
Surplus on available-for-sale financial assets		**1,578**	914
Realisation of change in fair value of available-for-sale financial assets		**(4,358)**	—
Exchange loss on translation of financial statements of foreign operations		**(88)**	—
Other comprehensive income for the year		**3,564**	8,687
Total comprehensive income for the year		**533,752**	301

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010 (Continued)

	Notes	2010 HK$'000	2009 HK$'000
Profit/(loss) attributable to:			
Owners of the Company	14	**531,067**	(8,386)
Non-controlling interests		**(879)**	—
		530,188	(8,386)
Total comprehensive income attributable to:			
Owners of the Company		**534,650**	301
Non-controlling interests		**(898)**	—
		533,752	301
Basic earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the year	15		
From continuing operations		**23.63 cents**	(0.70) cents
From discontinued operations		**—**	0.33 cents
From continuing and discontinued operations		**23.63 cents**	(0.37) cents
Diluted earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the year	15		
From continuing operations		**4.64 cents**	N/A
From discontinued operations		**—**	N/A
From continuing and discontinued operations		**4.64 cents**	N/A

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	18	**1,146,409**	—
Property, plant and equipment	16	**587,317**	56,992
Leasehold land and land use rights	17	**1,119,384**	9,049
Interests in an associate	20	**539,388**	—
Deferred product development costs	21	**751**	937
Deposits for acquisition of property, plant and equipment		**—**	3,707
Available-for-sale financial assets	22	**3,036**	2,815
		3,396,285	73,500
Current assets			
Leasehold land and land use rights	17	**252**	252
Financial assets at fair value through profit or loss	23	**7,172**	11,157
Properties under development	24	**3,017,941**	—
Completed properties held for sale	25	**902,593**	—
Inventories	26	**48,000**	38,929
Trade and bill receivables	27	**104,093**	31,006
Prepayments, deposits and other receivables	28	**589,221**	6,116
Tax recoverable		**14**	158
Restricted cash	29	**16,273**	—
Cash and cash equivalents	30	**777,378**	636,435
		5,462,937	724,053
Current liabilities			
Trade payables	31	**(58,721)**	(31,765)
Accruals and other payables	32	**(1,594,406)**	(22,955)
Provision for tax		**(124,197)**	(824)
Current portion of interest-bearing borrowings	38	**(29,577)**	—
Obligations under finance lease	39	**(41)**	(48)
		(1,806,942)	(55,592)
Net current assets		**3,655,995**	668,461
Total assets less current liabilities		**7,052,280**	741,961

Consolidated Statement of Financial Position

As at 31 December 2010 (Continued)

	Notes	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Provision for long service payment	33	**(2,160)**	(2,160)
Deferred tax liabilities	34	**(1,139,046)**	—
Interest-bearing borrowings	38	**(1,325,658)**	—
Obligations under finance lease	39	**—**	(39)
Convertible notes	40	**(1,981,639)**	—
Promissory notes	41	**(135,272)**	—
		(4,583,775)	(2,199)
Net assets		**2,468,505**	739,762
EQUITY			
Share capital	35	**8,991**	8,991
Reserves	36	**1,868,300**	730,771
Equity attributable to the Company's owners		**1,877,291**	739,762
Non-controlling interests		**591,214**	—
Total equity		**2,468,505**	739,762

Yau Tak Wah, Paul
Director

You Xiaofei
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	—	—
Interests in subsidiaries	19	—	93,316
		—	93,316
Current assets			
Amounts due from subsidiaries	19	3,328,228	184,941
Prepayments, deposits and other receivables	28	874	534
Tax recoverable		14	14
Cash and cash equivalents	30	540,599	435,775
		3,869,715	621,264
Current liabilities			
Accruals and other payables	32	(541,329)	(2,029)
Net current assets		3,328,386	619,235
Total assets less current liabilities		3,328,386	712,551
Non-current liability			
Convertible notes	40	(1,981,639)	—
Provision for long service payment	33	(230)	(230)
		(1,981,869)	(230)
Net assets		1,346,517	712,321
EQUITY			
Share capital	35	8,991	8,991
Reserves	36	1,337,526	703,330
Total equity		1,346,517	712,321

Yau Tak Wah, Paul
Director

You Xiaofei
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Profit/(loss) before income tax			
From continuing operations		**529,790**	(15,453)
From discontinued operations	13	**—**	7,455
		529,790	(7,998)
Adjustments for:			
Interest income on financial assets carried at amortised costs	7	**(3,778)**	(4,902)
Other interest income on financial assets carried at amortised costs	7	**—**	(42)
Dividend income from listed investments	7	**—**	(45)
Gain on bargain purchase of subsidiaries	42	**(556,615)**	—
Gain on disposal of subsidiaries	13	**—**	(7,455)
Gain on disposal of available-for-sale financial assets		**(4,333)**	—
Gain on disposal of property, plant and equipment	7	**(82)**	(286)
Unrealised loss on financial assets at fair value through profit or loss	9	**3,276**	2,962
Finance costs	8	**14,570**	—
Depreciation on property, plant and equipment			
— Owned assets	9	**9,407**	9,321
— Leased assets	9	**55**	55
Loss on disposal of property, plant and equipment	9	**—**	3,276
Loss on written off of property, plant and equipment	9	**2**	—
Amortisation of leasehold land and land use rights	9	**2,115**	252
Amortisation of capitalised deferred product development costs		**957**	1,128
Provision for slow moving inventories	9	**—**	1,878
Reversal of allowance on inventories	9	**(1,249)**	—
Reversal of provision for impairment of trade receivables	7	**—**	(455)
Operating loss before working capital changes		**(5,885)**	(2,311)
(Increase)/decrease in inventories		**(7,822)**	11,618
Decrease in properties held for sale under development and completed properties held for sale		**33,578**	—
(Increase)/decrease in trade and bill receivables		**(6,470)**	1,857
(Increase)/decrease in prepayments, deposits and other receivables		**(57,349)**	1,925
Decrease in trade payables		**(82,799)**	(2,638)
Increase/(decrease) in accruals and other payables		**97,829**	(3,400)
Decrease in provision for long service payment		**—**	(803)
Cash (used in)/generated from operations		**(28,918)**	6,248
Income tax received/(paid)		**261**	(791)
Net cash (used in)/generated from operating activities		**(28,657)**	5,457

Consolidated Statement of Cash Flows

For the year ended 31 December 2010 (Continued)

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,030)	(4,627)
Increase in deposits for acquisition of property, plant and equipment		—	(3,707)
Additions to deferred product development costs		(771)	(1,065)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	42	143,047	—
Proceeds from disposal of property, plant and equipment		111	579
Proceeds from disposal of subsidiaries		—	1,100
Proceeds from disposal of available-for-sale financial assets		4,333	—
Decrease/(increase) in financial assets at fair value through profit or loss		709	(10,107)
Interest received		3,724	4,902
Other interest received		—	42
Dividend received		—	45
Net cash generated from/(used in) investing activities		145,123	(12,838)
Cash flows from financing activities			
Proceeds from bank loans		35,130	—
Repayment of bank loans		(2,465)	—
Increase in restricted cash		(4,693)	—
Finance costs		(3,361)	—
Repayment of obligations under finance lease		(46)	(68)
Net cash generated from/(used in) financing activities		24,565	(68)
Net increase/(decrease) in cash and cash equivalents		141,031	(7,449)
Cash and cash equivalents at 1 January		636,435	643,884
Effect of foreign exchange rate changes		(88)	—
Cash and cash equivalents at 31 December		777,378	636,435
Analysis of cash and cash equivalents			
Bank balances and cash of continuing operations		777,378	636,435

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium* HK$'000	Currency translation reserve* HK$'000	Capital reserve* HK$'000	Contributed surplus* HK$'000	Capital redemption reserve* HK$'000	Property revaluation reserve* HK$'000	Fair value reserve for available-for-sale financial assets* HK$'000	Share-based compensation reserve* HK$'000	Convertible notes reserve* HK$'000	Retained profit * HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	8,991	365,359	(1,633)	801	283,208	77	4,012	1,901	16,966	—	59,779	739,461	8,899	748,360
Disposal of subsidiaries *(note 13)*	—	—	—	—	—	—	—	—	—	—	—	—	(8,899)	(8,899)
Total comprehensive income for the year	—	—	146	—	—	—	7,627	914	—	—	(8,386)	301	—	301
At 31 December 2009	8,991	365,359	(1,487)	801	283,208	77	11,639	2,815	16,966	—	51,393	739,762	—	739,762
At 1 January 2010	8,991	365,359	(1,487)	801	283,208	77	11,639	2,815	16,966	—	51,393	739,762	—	739,762
Acquisition of subsidiaries *(note 42)*	—	—	—	—	—	—	—	—	—	—	—	—	592,112	592,112
Issue of convertible notes *(note 40)*	—	—	—	—	—	—	—	—	—	602,879	—	602,879	—	602,879
Total comprehensive income for the year	—	—	(69)	—	—	—	6,432	(2,780)	—	—	531,067	534,650	(898)	533,752
At 31 December 2010	**8,991**	**365,359**	**(1,556)**	**801**	**283,208**	**77**	**18,071**	**35**	**16,966**	**602,879**	**582,460**	**1,877,291**	**591,214**	**2,468,505**

* These revenue accounts comprise the consolidated reserves of approximately HK$1,868,300,000 (2009: approximately HK$730,771,000) in the consolidated statement of financial position.

1. GENERAL INFORMATION

Tomorrow International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 19 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

On 10 December 2010, the Group completed the acquisition of an investment company — Talent Central Limited, which together with its subsidiaries, are principally engaged in properties development, properties investment and hotel operation in the PRC at a consideration payable by cash, convertible notes and promissory notes in aggregate amount of HK$3,800 million in which its fair value is approximately HK$3,249 million after taking account of the change in fair value of the convertible notes and the promissory notes. The assets and liabilities of Talent Central Limited acquired at the date of completion are set out in note 42 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2010 were approved for issue by the board of directors on 30 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 20 to 109 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

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

The consolidated financial statements have been prepared on the historical cost basis except for buildings and financial instruments classified as available-for-sale or at fair value through profit or loss which are stated as fair value. Inventory in respect of precious metal is stated at fair value less cost to sell. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.3 below) made up to 31 December.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation *(Continued)*

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests (previously known as "minority interests") represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the non-controlling interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the non-controlling interests in the subsidiaries' equity, the excess and further losses applicable to the non-controlling are allocated against the non-controlling interests to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the non-controlling interests only after the non-controlling's share of losses previously absorbed by the Group has been recovered.

2.3 Subsidiaries

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

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the acquisition method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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

2.4 Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates *(Continued)*

The Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in profit or loss in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the class of other comprehensive income in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

For investments in associates recognised using the equity method, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount and recognised in profit or loss. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.5 Business combination

The acquisition of businesses in accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of 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 acquire's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of comprehensive income.

The interest of non-controlling shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.6 Foreign currency translation

The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK$'000), which is also the functional currency of the Company.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong Dollars. Assets and liabilities have been translated into Hong Kong Dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the currency translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.7 Revenue recognition

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

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

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties are ready for delivery to the purchasers pursuant to the sale agreement and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities as forward sales deposit and instalments received.

Revenue from sales of listed investments are recognised upon transfer of the ownership to others. Trading fees and trading tariff on securities are recognised on trade date basis.

Revenue from trading of precious metal is recognised, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership; nor effective control over the goods sold.

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

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

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment

Buildings situated on land held under operating leases are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any surplus arising on revaluation of buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 2.9. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease recognised in profit or loss.

Buildings held under leasing agreements are depreciated over their expected useful lives or over the term of lease, if shorter.

Depreciation on other assets, other than construction-in-progress ("CIP"), is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	2–2.5%
Leasehold improvements	5–50%
Plant and machinery	10–20%
Furniture, fixtures and office equipments	10–20%
Motor vehicles	20%

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of buildings.

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

CIP, which represents properties under construction, is stated at cost less accumulated impairment losses. Cost comprises direct costs incurred during the periods of construction and installation. No depreciation is provided on CIP and CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

Property, plant and equipment, leasehold land and land use rights, deferred product development costs and interests in associate and subsidiaries are subject to impairment testing.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

2.10 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property that is currently being constructed or developed for future use as investment property is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met (see note 2.11).

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

Subsequent to initial recognition, investment property is measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If these information are not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

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

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

Changes in fair values of investment property are recognised in the consolidated statement of comprehensive income.

If an item of inventories becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases

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

(i) Classification of assets leased to the Group

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

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

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

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

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

(iii) Operating lease charges as the lessee

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

(iv) Operating lease charges as the lessor

Assets leased out under operating leases are included in investment properties in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Deferred product development costs

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

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

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

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

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

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

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

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Deferred product development costs acquired separately are recognised initially at cost. After initial recognition, deferred product development costs with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for deferred product development costs with finite useful lives is provided on straight-line basis over their estimated useful lives of 2 years.

2.13 Inventories

(i) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Cost comprises both the prepaid lease payments for the land and development cost of the property. Development cost of properties comprises construction costs, capitalised borrowing costs and other direct development cost according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties under development are transferred to completed properties held for sale. Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

(ii) Completed properties held for sale

Completed properties remaining unsold at the end of each reporting period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Inventories *(Continued)*

(iii) Trading goods

(a) Electronic items are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(b) Precious metals are measured at fair value less cost to sell, any unrealised gain/loss arising from changes of fair value are recognised as in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries and associate are set out below. Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Financial assets *(Continued)*

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

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

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's accounting policies in note 2.7 to these consolidated financial statements.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Financial assets *(Continued)*

(iii) Available-for-sale financial assets *(Continued)*

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measureable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

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

(i) Financial assets carried at amortised cost

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

(i) Financial assets carried at amortised cost *(Continued)*

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

(ii) Available-for-sale financial assets

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

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

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under the plans is limited to the fixed percentage contributions payable. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

Short-term employee benefits

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

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

Termination benefits

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

2.19 Share-based employee compensation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Share-based employee compensation *(Continued)*

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

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

2.20 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, obligations under finance lease, interest-bearing borrowings, convertible notes and promissory notes.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with Group's accounting policy for borrowing cost (see note 2.27).

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

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

Interest-bearing borrowings

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

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.11).

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Financial liabilities *(Continued)*

Convertible notes *(Continued)*

At initial recognition the liability components of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

Promissory notes

Promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

Other financial liabilities

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

2.21 Provisions and contingent liabilities

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

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

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Financial guarantees issued

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

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

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

2.23 Related parties

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Segment reporting

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

The executive directors have identified the Group's six products and service lines as operating segments as follows:

(a) Electronic products consists of the manufacturing and sales of electronic products;

(b) Equity and commodity investments consists of investments in equity securities and precious metals;

(c) Provision of loan finance consists of loan financing services;

(d) Properties development consists of the sales of properties which were completed;

(e) Properties investment consists of the leasing of properties;

(f) Hotel operation consists of the operating the hotel (which was under development during the year).

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that operating lease charges, gain on bargain purchases of subsidiaries, gain on disposal of available-for-sale financial assets, finance costs and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets are all operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Non-current assets held for sale

(i) Discontinued operations

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

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

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

— the post-tax profit or loss of the discontinued operations; and

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

2.26 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.11. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.27 Borrowing costs

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

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

2.28 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment. In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Goodwill *(Continued)*

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

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

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. ADOPTION OF NEW OR AMENDED HKFRSs

(i) New and amended standards and interpretations adopted by the Group

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

Improvements to HKFRSs 2009

The HKICPA has issued improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to HKAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in HKAS 17. The Group reassessed the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment had been applied retrospectively except where the necessary information is not available. In that situation, the leases had been assessed on the date when the amendment is adopted. There were no material effect on the Group's result and financial position compared with previous year.

HKFRS 3 Business combinations

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The Group adopted the new standard for the acquisition the new subsidiaries during the year.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(i) New and amended standards and interpretations adopted by the Group *(Continued)*

HKAS 27 (Amendments) Cost of investment in a subsidiary, jointly controlled entity or an associate

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The revised standard have no material effect on the Group's financial statements.

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

This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its consolidated statement of financial position. This Interpretation did not have a material impact on the Group's consolidated financial statements.

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

HK(IFRIC) 17 Distribution of non-cash assets to owners

The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

HK(IFRIC) 18 Transfers of assets from customers

HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

HK(IFRIC) 9 Reassessment of embedded derivatives and HKAS 39 Financial instruments

This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) *(Continued)*

HK(IFRIC) 16 Hedges of a net investment in a foreign operation

This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.

HKFRS 2 (Amendments) Group cash-settled share-based payment transactions

In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

HKFRS 5 (Amendment) Non-current assets held for sale and discontinued operations

The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

HKAS 38 (Amendment) Intangible assets

The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

HKAS 36 (amendment) Impairment of assets

The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

(iii) New or amended HKFRSs that have been issued but are not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are relevant to the Company but are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

Improvements to HKFRSs 2010

Third improvements to HKFRSs (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011. The Group is currently in the process of assessing the impact of these improvements on the Group's financial statements.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

3. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(iii) New or amended HKFRSs that have been issued but are not yet effective *(Continued)*

HKAS 24 (revised) Related party disclosures

Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has applied the revised standard from 1 January 2011 and the adoption of this revised standard did not have a material impact on the Group's financial statements.

HK(IFRIC) 19 Extinguishing financial liabilities with equity instruments

The standard is effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This interpretation is not expected to have a material impact on the Group's financial statements.

HKAS 12 (Amendment) Income taxes

The amendment provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment is effective for annual periods on or after 1 January 2012. This amendment is not expected to have a material impact on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Income taxes and deferred taxation

Some subsidiaries of the Group operate in the PRC and are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Critical accounting estimates and assumptions *(Continued)*

(ii) PRC land appreciation taxes

Some subsidiaries of the Group are subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and those subsidiaries have not finalised all of their land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(iii) Depreciation, useful lives and residual values of property, plant and equipment

The Group's management exercises its judgement in estimating the useful lives and residual values of the depreciable property, plant and equipment other than CIP. The estimated useful lives and residual values reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates its property, plant and equipment other than CIP in accordance with the accounting policies stated in note 2.8. The carrying amount of property, plant and equipment is disclosed in note 16.

(iv) Net realisable value of inventories related to electronic products

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experiences of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management will reassess the estimations at the reporting date.

(v) Estimates for net realisable value of properties under development and completed properties held for sale

As at 31 December 2010, the carrying amounts of properties under development and completed properties held for sale are approximately HK$3,017,941,000 (2009: nil) and approximately HK$902,593,000 (2009: nil), respectively. The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and properties held for sale at the reporting date.

(vi) Estimated impairment on receivables

The Group's management assesses the collectability of receivables. This estimate is based on the past collection, credit history and ageing analysis of the Group's receivables, as well as the current economy and market condition. Impairment on receivables is made based on the estimation of the future cash flow expected to arise and the original effective interest rate in order to calculate the present value. The Group's management determines impairment of its receivables on a regular basis and reassesses the impairment of receivables at the reporting date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Critical accounting estimates and assumptions *(Continued)*

(vii) Impairment of interests in subsidiaries

The Group's management follows the guidance of HKAS 36 Impairment of assets, in determining whether interests in subsidiaries are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2010 was HK$16 (2009: HK$93,316,000).

(viii) Impairment of interests in associate

The Group's management follows the guidance of HKAS 36 Impairment of assets, in determining whether interests in associate are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in associate. The Group's carrying amount of interests in associate at 31 December 2010 was approximately HK$539,388,000 (2009: Nil).

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

(i) Deferred product development costs

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

5. SEGMENT INFORMATION

The executive directors have identified the Group's six (2009: three) products and service lines as operating segments as further described in note 2.24.

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

For the year ended 31 December 2010

	Continuing operations						
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Properties development HK$'000	Properties investment HK$'000	Hotel operation HK$'000	Total HK$'000
Revenue from external customer							
Reportable segment revenue	345,398	—	—	61,944	2,060	—	409,402
Reportable segment profit/(loss)	10,241	162	(20)	115	1,855	(1,863)	10,490
— Products development income	1,877	—	—	—	—	—	1,877
— Compensation from vendors	89	—	—	—	—	—	89
— Exchange gains	40	1,565	—	—	—	—	1,605
— Unrealised gain on inventory at fair value	—	1,267	—	—	—	—	1,267
— Realised gain on financial assets at fair value through profit and loss	—	234	—	—	—	—	234
— Gain on disposal of property, plant and equipment	82	—	—	—	—	—	82
— Depreciation on property, plant and equipment	(6,185)	—	—	—	—	—	(6,185)
— Amortisation of leasehold land and land use rights	(62)	—	—	—	—	(1,863)	(1,925)
— Business tax, other levies and land appreciation tax	—	—	—	(17)	(205)	—	(222)
— Distribution costs	(6,573)	—	—	(11)	—	—	(6,584)
— Unrealised loss on financial assets at fair value through profit and loss	—	(3,276)	—	—	—	—	(3,276)
— Loss on written off of property, plant and equipment	(2)	—	—	—	—	—	(2)
— Amortisation of deferred product development costs	(957)	—	—	—	—	—	(957)
— Income tax	(956)	—	—	—	—	—	(956)

5. SEGMENT INFORMATION *(Continued)*

As at 31 December 2010

	Continuing operations						
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Properties development HK$'000	Properties investment HK$'000	Hotel operation HK$'000	Total HK$'000
Reportable segment assets							
— Property, plant and equipment	38,742	—	—	—	—	515,240	553,982
— Properties under development	—	—	—	3,017,941	—	—	3,017,941
— Completed properties held for sale	—	—	—	902,593	—	—	902,593
— Investment properties	—	—	—	—	1,146,409	—	1,146,409
— Leasehold land and land use rights	2,044	—	—	—	—	1,110,587	1,112,631
— Deferred product development costs	751	—	—	—	—	—	751
— Financial assets at fair value through profit or loss	—	7,172	—	—	—	—	7,172
— Inventories	42,456	5,544	—	—	—	—	48,000
— Trade receivables	41,364	—	—	59,873	2,856	—	104,093
— Prepayments, deposits and other receivables	2,395	—	—	—	—	—	2,395
— Cash and cash equivalents	39,556	229	—	—	—	—	39,785
Additions to non-current segment assets during the year	8,801	—	—	—	—	—	8,801
Reportable segment liabilities							
— Trade payables	(43,870)	—	—	(14,851)	—	—	(58,721)
— Accruals and other payables	(26,220)	(40)	(10)	(360,682)	(5,699)	—	(392,651)
— Provision for tax	(1,882)	—	—	—	—	—	(1,882)
— Obligations under finance lease	(41)	—	—	—	—	—	(41)
— Provision for long service payment	(1,383)	—	—	—	—	—	(1,383)

5. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2009

	Continuing operations			
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Total HK$'000
Revenue from external customer				
Reportable segment revenue	281,884	12,315	—	294,199
Reportable segment profit/(loss)	(1,937)	676	—	(1,261)
— Dividend income from listed investments	—	45	—	45
— Products development income	2,215	—	—	2,215
— Reversal of provision for impairment of trade receivables	455	—	—	455
— Sales of obsolete inventories and raw materials	15	—	—	15
— Compensation from vendors	122	—	—	122
— Unrealised gain on inventory at fair value	—	291	—	291
— Realised gain on financial assets at fair value through profit and loss	—	2,721	—	2,721
— Gain on disposal of property, plant and equipment	286	—	—	286
— Depreciation on property, plant and equipment	(7,092)	—	—	(7,092)
— Amortisation of leasehold land and land use rights	(62)	—	—	(62)
— Distribution costs	(6,016)	—	—	(6,016)
— Unrealised loss on financial assets at fair value through profit and loss	—	(2,962)	—	(2,962)
— Amortisation of deferred product development costs	(1,128)	—	—	(1,128)
— Loss on disposal of property, plant and equipment	(3,276)	—	—	(3,276)
— Provision for slow moving inventories	(1,878)	—	—	(1,878)
— Income tax	(388)	—	—	(388)

5. SEGMENT INFORMATION *(Continued)*

As at 31 December 2009

	Continuing operations			
	Electronic products HK$'000	Equity and commodity investments HK$'000	Provision of loan finance HK$'000	Total HK$'000
Reportable segment assets				
— Property, plant and equipment	34,886	—	—	34,886
— Leasehold land and land use rights	2,106	—	—	2,106
— Deposits for acquisition of property plant and equipment	3,707	—	—	3,707
— Deferred product development costs	937	—	—	937
— Financial assets at fair value through profit or loss	—	11,157	—	11,157
— Inventories	34,653	4,276	—	38,929
— Trade and bill receivables	31,006	—	—	31,006
— Prepayments, deposits and other receivables	3,537	21	3	3,561
— Cash and cash equivalents	30,124	139,375	1,001	170,500
Additions to non-current segment assets during the year	4,450	—	—	4,550
Reportable segment liabilities				
— Trade payables	(31,765)	—	—	(31,765)
— Accruals and other payables	(19,950)	(40)	(10)	(20,000)
— Provision for tax	(809)	—	—	(809)
— Obligations under finance lease	(87)	—	—	(87)
— Provision for long service payment	(1,383)	—	—	(1,383)

5. SEGMENT INFORMATION *(Continued)*

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2010 HK$'000	2009 HK$'000
Reportable segment revenue and Group revenue	**409,402**	294,199
Reportable segment profit/(loss)	**10,490**	(1,261)
Operating lease charges	**(7,281)**	(8,469)
Discontinued operations	**—**	7,455
Gain on bargain purchase of subsidiaries	**556,615**	—
Gain on disposal of available-for-sale financial assets	**4,333**	—
Finance costs	**(14,570)**	—
Unallocated expenses	**(25,616)**	(10,874)
Unallocated income	**6,217**	4,763
Profit/(loss) for the year	**530,188**	(8,386)
Reportable segment assets	**6,935,752**	296,789
Corporate assets	**1,923,470**	500,764
Group assets	**8,859,222**	797,553
Reportable segment liabilities	**(454,678)**	(54,044)
Corporate liabilities	**(5,936,039)**	(3,747)
Group liabilities	**(6,390,717)**	(57,791)

During the year ended 31 December 2010, approximately HK$167,286,000 or 41% (2009: approximately HK$88,908,000 or 30%) of the Group's revenues depended on two customers (2009: one customer) in the trading of electronic products segment.

At the reporting date, 27% (2009: 31%) of the Group's trade receivables was due from the above customers.

5. SEGMENT INFORMATION *(Continued)*

The Group's revenues from external customers and its non-current assets (other than financial instruments and interests in associate) are divided into the following geographical areas:

Revenue from external customers:

	2010 Continuing operations HK$'000	2009 Continuing operations HK$'000
Hong Kong (domicile) *(note (a))*	**38,938**	52,429
North America *(note (b))*	**58,453**	51,971
Europe *(note (c))*	**30,477**	26,053
Japan	**201,631**	144,539
Mainland China	**66,318**	—
Others *(note (d))*	**13,585**	19,207
Total	**409,402**	294,199

Non-current assets:

	2010 Continuing operations HK$'000	2009 Continuing operations HK$'000
Hong Kong (domicile) *(note (a))*	**36,586**	31,090
Mainland China	**2,817,275**	39,595
Total	**2,853,861**	70,685

Notes:

(a) The place of domicile is determined based on the location of central management.

(b) Principally included the United States of America ("the USA") and Canada.

(c) Principally included the United Kingdom, France, Germany and the Mainland Europe.

(d) Principally included Taiwan, Korea and elsewhere in Asia.

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

6. REVENUE

The Group's principal activities are disclosed in note 1 to these financial statements. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2010 HK$'000	2009 HK$'000
Continuing operations		
Sales of electronic products	345,398	281,884
Trading of precious metal	—	12,315
Sales of properties	61,944	—
Gross rental income from investment properties	2,060	—
Total	409,402	294,199

7. OTHER REVENUE AND NET INCOME

	2010 HK$'000	2009 HK$'000
Other revenue		
Interest income on financial assets carried at amortised costs	3,778	4,902
Dividend income from listed investments	—	45
Sales of obsolete inventories and raw materials	—	15
Products development income	1,877	2,215
Other interest income on financial assets carried at amortised costs	—	42
Compensation from vendors	89	122
Reversal of provision for impairment of trade receivables	—	455
Gross rental income from plant and equipment	57	—
Others	276	884
	6,077	8,680
Other net income		
Exchange gain, net	4,534	—
Realised gain on financial assets at fair value through profit or loss	234	2,721
Gain on disposal of property, plant and equipment	82	—
Unrealised gain on inventory at fair value	1,267	291
	6,117	3,012
	12,194	11,692

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank loan borrowing	1,583	—
Interest on other loans wholly repayable within five year	1,778	—
Interest on convertible notes	10,290	—
Interest on promissory notes	919	—
	14,570	—

9. PROFIT/(LOSS) BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	220,541	207,609
Cost of properties sold	61,800	—
Business tax and other levies *(note (b))*	216	—
Land appreciation tax *(note (c))*	6	—
Depreciation on property, plant and equipment *(note (a))*		
— Owned assets	9,407	9,321
— Leased assets	55	55
Amortisation of leasehold land and land use rights	2,115	252
Research and development costs (including amortisation charge on capitalised deferred product development costs)	1,292	1,514
Operating lease charges in respect of land and buildings	7,278	8,469
Operating lease charges in respect of plant and equipment	3	—
Unrealised loss on financial assets at fair value through profit or loss	3,276	2,962
Auditors' remuneration	1,244	760
Provision for slow moving inventories	—	1,878
Reversal of allowance on inventories	(1,249)	—
Gain on disposal of property, plant and equipment	(82)	(286)
Loss on disposal of property, plant and equipment	—	3,276
Loss on written off of property, plant and equipment	2	—
Exchange loss, net	—	244

9. PROFIT/(LOSS) BEFORE INCOME TAX *(Continued)*

Notes:

(a) Depreciation expenses

Depreciation expenses of approximately HK$3,787,000 and HK$5,675,000 (2009: approximately HK$5,039,000 and HK$4,337,000) have been included in cost of sales and administrative expenses respectively.

(b) Business tax and other levies

The Group with business operation in the PRC is subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties	5%
Rental income from investment properties and car park units	5%

(c) Land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all properties development expenditures.

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000
Wages and salaries	71,712	53,563
Pension costs — defined contribution plans	3,004	2,261
	74,716	55,824

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

11.1 Directors' emoluments

Executive directors and independent non-executive directors:

2010

	Directors' fees HK$'000	Salaries, allowances & benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
Executive directors					
Mr. Yau Tak Wah, Paul	—	1,850	75	90	2,015
Ms. Louie Mei Po	—	1,800	150	98	2,048
Ms. Liu Yee Nee	—	996	83	54	1,133
Ms. Wong Shin Ling, Irene *(Note 1)*	113	—	—	—	113
Mr. Ng Pui Keung *(Note 2)*	—	133	—	—	133
Mr. You Xiaofei *(Note 2)*	—	105	—	—	105
Independent non-executive directors					
Mr. Cheung Chung Leung, Richard	150	—	—	—	150
Mr. Ng Wai Hung	180	—	—	—	180
Mr. Wu Wang Li	120	—	—	—	120
	563	4,884	308	242	5,997

Note 1: Ms. Wong Shin Ling, Irene resigned as an executive director on 10 December 2010.

Note 2: Mr. Ng Pui Keung and Mr. You Xiaofei were appointed as executive directors on 10 December 2010.

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

11.1 Directors' emoluments *(Continued)*

Executive directors and independent non-executive directors:

2009

	Directors' fees HK$'000	Salaries, allowances & benefits in kind HK$'000	Discretionary bonus HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
Executive directors					
Mr.Yau Tak Wah, Paul	—	1,854	150	90	2,094
Ms. Louie Mei Po	—	1,800	600	120	2,520
Ms. Liu Yee Nee	—	996	150	57	1,203
Ms. Wong Shin Ling, Irene	120	—	—	—	120
Independent non-executive directors					
Mr. Cheung Chung Leung, Richard	150	—	—	—	150
Mr. Ng Wai Hung	180	—	—	—	180
Mr. Wu Wang Li	120	—	—	—	120
	570	4,650	900	267	6,387

During the year ended 31 December 2010 and 31 December 2009, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

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

11.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2009: three) directors whose emoluments are reflected in the analysis presented in note 11.1. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	2,267	2,249
Retirement scheme contributions	69	68
	2,336	2,317

The emoluments fell within the following bands:

	Number of individuals 2010	2009
Emolument bands		
HK$1,000,001–HK$1,500,000	2	2

12. INCOME TAX (CREDIT)/EXPENSE

	2010 HK$'000	2009 HK$'000
Current tax		
Hong Kong		
— Tax for the year	1,536	222
— Over provision in respect of prior years	(975)	(38)
	561	184
The PRC — Corporate Income Tax		
— Tax for the year	880	131
— (Over)/Under provision in respect of prior years	(1,839)	73
	(959)	204
Total income tax (credit)/expense	(398)	388

12. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Profit/(loss) before taxation		
Continuing operations	529,790	(15,453)
Discontinued operations	—	7,455
	529,790	(7,998)
Income tax at Hong Kong profits tax rate of 16.5%	87,415	(1,320)
Tax effect of different taxation rates in other tax jurisdictions	383	(20)
Over provision in prior years	(2,814)	(38)
Under provision in prior years	—	73
Tax effect of non-taxable revenue	(95,000)	(3,136)
Tax effect of non-deductible expenses	6,162	1,797
Tax effect of temporary differences not provided	3	—
Tax effect of prior year's unrecognised tax losses utilised this year	(156)	(117)
Tax effect of unused tax losses not recognised	3,622	3,149
Others	(13)	—
Income tax (credit)/expense	(398)	388

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC (the "New Tax Law") on 16 March 2007. With effective from 1 January 2008, the tax rate applicable to the enterprises established in the PRC will be unified at 25% with certain preferential provisions. Except for one of the Group's subsidiaries, Gaojin Electronics (Shenzhen) Co., Ltd is entitled to preferential tax treatments granted by the relevant tax authorities in the PRC and is subject to a lower income tax rate of 20%, until the unified tax rate of 25% gradually transitioned in 2012.

Furthermore, in accordance with the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 31 December 2010, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2009: nil), because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 31 December 2010 in the foreseeable future.

13. DISCONTINUED OPERATIONS — GROUP

During the year ended 31 December 2008, the Group discontinued the operation of manufacture and sale of PCBs operated by Allied Trade Limited ("ATL") and its subsidiaries (collectively referred to as the "ATL Group").

On 5 January 2009, the Group entered into a sales and purchase agreement with an independent third party, for the disposal of its entire equity interests in ATL Group for a cash consideration of HK$100,000. The assets and liabilities attributable to the business, which were sold in the year of 2009, had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2008. The net proceeds of the disposal exceeded the net carrying amount of the relevant assets and liabilities after incorporating the carrying amount of the related non-controlling interests of the entities disposed of, accordingly, no impairment loss was recognised for the year ended 31 December 2008. The disposal was completed on 5 January 2009.

Net cash inflows in respect of the disposal of subsidiaries is as follow:

	2010 HK$'000	2009 HK$'000
Net liabilities disposed of:		
Property, plant and equipment	—	17,346
Inventories	—	12,266
Trade receivables	—	7,202
Prepayment, deposits and other receivables	—	14,223
Cash and cash equivalents	—	1,661
Trade payables	—	(25,750)
Amount due to a related company	—	(13,563)
Accruals and other payables	—	(11,626)
Provision for tax	—	(361)
Non-controlling interests	—	(8,899)
	—	(7,501)
Release of translation reserve upon disposal of subsidiaries	—	146
	—	(7,355)
Gain on discontinued operations	—	7,455
Total consideration, satisfied by cash	—	100

14. PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated profit/(loss) attributable to the owners of the Company of approximately HK$531,067,000 (2009: loss of approximately HK$8,386,000), a profit of approximately HK$31,317,000 (2009: a loss of approximately HK$22,200,000) has been dealt with in financial statements of the Company.

15. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share from continuing and discontinued operations

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to the owners of the Company of approximately HK$531,067,000 (2009: loss of approximately HK$8,386,000) and on the weighted average of approximately 2,247,682,010 (2009: approximately 2,247,682,010) ordinary shares in issue during the year.

Basic earnings/(loss) per share from continuing operations

The calculation of basic earnings/(loss) per share for continuing operations is based on the profit/(loss) attributable to the owners of the Company of approximately HK$531,067,000 (2009: loss of approximately HK$15,841,000) and on the weighted average of 2,247,682,010 (2009: 2,247,682,010) ordinary shares in issue during the year.

Basic earnings/(loss) per share from discontinued operations

There are no discontinued operations for the year ended 31 December 2010 and no calculation of basic earnings per share from discontinued operations for the year.

The calculation of basic earnings per share for discontinued operations for the year ended 31 December 2009 was based on the profit attributable to the owners of the Company of approximately HK$7,455,000 and on the weighted average of 2,247,682,010 ordinary shares in issue during the previous year.

Diluted earnings/(loss) per share from continuing and/or discontinued operations

Diluted earnings per share is calculated by adjusting the profit and (loss) attributable to ordinary equity holder of the Company and the weighted average number of ordinary shares outstanding to the effect of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options and convertible notes. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the convertible notes, it is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses.

	2010 **HK$'000**	2009 HK$'000
Profit/(loss) attributable to shareholders of the Company	**531,067**	(8,386)
Add: Imputed finance costs on convertible notes	**10,290**	—
Profit/(loss) attributable to shareholders of the Company (diluted)	**541,357**	(8,386)

	2010 **'000**	2009 '000
Weighted average number of ordinary shares in issue	**2,247,682**	2,247,682
Adjustments for share options	**29,298**	—
Adjustments for convertible notes	**9,393,940**	—
Weighted average number of ordinary shares in issue (diluted)	**11,670,920**	2,247,682
Diluted earnings per share from continuing and discontinued operations	**4.64 cents**	N/A

15. EARNINGS/(LOSS) PER SHARE *(Continued)*

Diluted earnings/(loss) per share from continuing operations

Diluted earnings per share for the continued operations is HK4.64 cents per share, based on the profit for the financial year from the continued operations of approximately HK$531,067,000 and the denominators detailed above for diluted earnings per share.

Diluted loss per share from continued operations for the year ended 31 December 2009 has not been presented, as the outstanding share options had an anti-dilutive effect.

Diluted earnings/(loss) per share from discontinued operations

There are no discontinued operations for the year ended 31 December 2010 and no calculation of diluted earnings per share from discontinued operations for the year.

Diluted loss per share from discontinued operations for the year ended 31 December 2009 has not been presented, as the outstanding share options had an anti-dilutive effect.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK'000	Leasehold improvements HK'000	Plant and machinery HK'000	Furniture, fixture and office equipments HK'000	Motor vehicles HK'000	Construction-in-progress HK'000	Total HK'000
At 1 January 2009							
Cost or valuation	35,000	31,946	80,187	23,353	1,737	—	172,223
Accumulated depreciation	—	(26,505)	(66,097)	(21,122)	(816)	—	(114,540)
Net book amount	**35,000**	**5,441**	**14,090**	**2,231**	**921**	**—**	**57,683**
Year ended 31 December 2009							
Opening net book amount	35,000	5,441	14,090	2,231	921	—	57,683
Additions	—	758	2,259	412	1,198	—	4,627
Disposals	—	(1,826)	(1,552)	(77)	(114)	—	(3,569)
Depreciation	(2,127)	(1,711)	(4,351)	(827)	(360)	—	(9,376)
Surplus on revaluation	7,627	—	—	—	—	—	7,627
Closing net book amount	40,500	2,662	10,446	1,739	1,645	—	56,992
At 31 December 2009							
Cost or valuation	40,500	28,198	78,433	21,911	2,186	—	171,228
Accumulated depreciation	—	(25,536)	(67,987)	(20,172)	(541)	—	(114,236)
Net book amount	**40,500**	**2,662**	**10,446**	**1,739**	**1,645**	**—**	**56,992**
Year ended 31 December 2010							
Opening net book amount	40,500	2,662	10,446	1,739	1,645	—	56,992
Additions	—	747	6,501	544	1,945	—	9,737
Acquisition of subsidiaries	—	3,182	—	862	4,365	515,240	523,649
Disposals	—	—	(28)	(1)	—	—	(29)
Written off	—	—	—	(2)	—	—	(2)
Depreciation	(2,832)	(1,357)	(3,787)	(814)	(672)	—	(9,462)
Surplus on revaluation	6,432	—	—	—	—	—	6,432
Closing net book amount	44,100	5,234	13,132	2,328	7,283	515,240	587,317
At 31 December 2010							
Cost or valuation	44,100	31,529	84,372	20,544	7,654	515,240	703,439
Accumulated depreciation	—	(26,295)	(71,240)	(18,216)	(371)	—	(116,122)
Net book amount	**44,100**	**5,234**	**13,132**	**2,328**	**7,283**	**515,240**	**587,317**

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of cost or valuation at 31 December 2010 of the above assets was as follows:

	Buildings HK'000	Leasehold improvements HK'000	Plant and machinery HK'000	Furniture, fixture and office equipments HK'000	Motor vehicles HK'000	Construction-in-progress HK'000	Total HK'000
At cost	—	31,529	84,372	20,544	7,654	515,240	659,339
At valuation	44,100	—	—	—	—	—	44,100
	44,100	31,529	84,372	20,544	7,654	515,240	703,439

The analysis of cost or valuation at 31 December 2009 of the above assets was as follows:

	Buildings HK'000	Leasehold improvements HK'000	Plant and machinery HK'000	Furniture, fixture and office equipments HK'000	Motor vehicles HK'000	Total HK'000
At cost	—	28,198	78,433	21,911	2,186	130,728
At valuation	40,500	—	—	—	—	40,500
	40,500	28,198	78,433	21,911	2,186	171,228

At 31 December 2010, certain office equipments of the Group with a total net book amount of HK$41,000 (2009: HK$96,000) are held under finance leases (note 39).

As at 31 December 2010, construction-in-progress of approximately value HK$515,240,000 were pledged to banks to secure general banking facilities granted to the Group to the extent of HK$444,980,000.

The Group's buildings were last revalued on 31 December 2010. Valuations were made on the basis of open market value by B.I. Appraisals Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors, engaged by the Group. Open market value was estimated based on recent market transactions, which were then adjusted for specific conditions relating to the buildings. The revaluation surplus net of applicable deferred income taxes, if any, was credited to property revaluation reserve in other comprehensive income.

The Group's buildings were situated in Hong Kong and PRC and are held on leases of over 50 years and between 10 to 50 years respectively (note 17).

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2010 HK$'000	2009 HK$'000
Cost	**38,400**	38,400
Accumulated depreciation	**(18,256)**	(17,174)
Net book amount	**20,144**	21,226

Company

	Leasehold Improvement HK$'000	**Furniture and fixtures** HK$'000	**Total** HK$'000
At 1 January 2009, 31 December 2009 and 2010			
Cost	13	144	157
Accumulated depreciation	(13)	(144)	(157)
Net book amount	—	—	—

17. LEASEHOLD LAND AND LAND USE RIGHTS — GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	2010 HK$'000	2009 HK$'000
Opening net carrying amount	**9,301**	9,553
Acquisition of subsidiaries	**1,112,450**	—
Amortisation	**(2,115)**	(252)
Closing net carrying amount	**1,119,636**	9,301
Less: Current portion	**(252)**	(252)
Non-current portion	**1,119,384**	9,049

17. LEASEHOLD LAND AND LAND USE RIGHTS — GROUP *(Continued)*

The analysis of the net carrying amount of leasehold land and land use rights according to lease periods as at 31 December were as follows:

	2010 **HK$'000**	2009 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**7,005**	7,196
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**1,112,631**	2,105
	1,119,636	9,301

As at 31 December 2010, land use rights of approximately value HK$1,110,587,000 were pledged to banks to secure general banking facilities granted to the Group to the extent of HK$444,980,000.

18. INVESTMENT PROPERTIES — GROUP

	2010 **HK$'000**	2009 HK$'000
Additions from the acquisition of subsidiaries and balance as at 31 December 2010	**1,146,409**	—

The fair values of the investment properties of the Group as at 31 December 2010 were assessed by B.I. Appraisals Limited, an independent qualified valuer. Valuations were based on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

As at 31 December 2010, investment properties of approximately value HK$1,084,756,000 were pledged to banks to secure general banking facilities granted to the Group and third parties to the extent of HK$318,450,000 and HK$69,089,000 respectively.

19. INTERESTS IN SUBSIDIARIES — COMPANY

	2010 **HK$'000**	2009 HK$'000
Investments at costs		
Unlisted shares *(note (a))*	**—**	93,316
Amounts due from subsidiaries *(note (b))*	**3,328,228**	372,692
Less: Provision for impairment	**—**	(187,751)
	3,328,228	184,941

Notes:

(a) Under the Group re-organisation, the Company disposed the interests in two directly owned subsidiaries to another directly owned subsidiary. Therefore, there were significant decreased in the interests in subsidiaries between 31 December 2010 and 31 December 2009.

(b) The amounts due from subsidiaries are in the nature of current accounts and are unsecured, interest free and have no fixed terms of repayment.

Movements in provision for impairment of amounts due from subsidiaries during the year were as follows:

	2010 **HK$'000**	2009 HK$'000
At the beginning of the year	**187,751**	165,205
Impairment losses recognised	**—**	22,546
Reversal of specific impairment losses	**(4,091)**	
Uncollectible impaired debts written off	**(183,660)**	—
At the end of the year	**—**	187,751

19. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

Particulars of the subsidiaries at 31 December 2010 were as follows:

Name	Place/ country of incorporation/ registration	Issued and fully paid share/ registered capital	Interest held by Company	Interest held by Subsidiary	Principal activities and places of operations
Account Centre Limited	Hong Kong	HK$2	—	100%	Provision of accountancy services to group companies in Hong Kong
Art Ray Investments Limited	Hong Kong	HK$1	—	100%	Inactive
Asset Bridge Development Limited	Hong Kong	HK$1	—	100%	Provision of loan financing in Hong Kong
Canton Million Investments Limited	British Virgin Islands ("BVI")	US$1	100%	—	Investment holding in Hong Kong
Connion Limited	Hong Kong	HK$2	—	100%	Securities and commodity investment in Hong Kong
Eastec Property Holding Limited	Hong Kong	HK$100	—	100%	Leasing of properties to group companies in Hong Kong
Eastec Purchasing Limited	BVI	US$1	—	100%	Trading of electronic components and parts in Hong Kong
Eastec Technology Limited	Hong Kong	HK$2	—	100%	Trading of electronic components and parts in Hong Kong
Electronics Tomorrow Limited	Hong Kong	HK$500,000	—	100%	Manufacture and sales of electronic products in Hong Kong
Electronics Tomorrow Holdings Corporation	BVI	US$100	—	100%	Investment holding in Hong Kong
Electronics Tomorrow International Limited	BVI	US$600	—	100%	Investment holding in Hong Kong
Electronics Tomorrow Property Holdings Limited	BVI	US$100	—	100%	Investment holding in Hong Kong

19. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

Particulars of the subsidiaries at 31 December 2010 were as follows: *(Continued)*

Name	Place/ country of incorporation/ registration	Issued and fully paid share/ registered capital	Interest held by Company	Interest held by Subsidiary	Principal activities and places of operations
ETL (Macao) Commercial Offshore Limited	Macau	MOP500,000	—	100%	Trading of electronic components and parts in Macau and Hong Kong
Fortune Dynamic Group Corporation	BVI	US$1	—	100%	Investment holding in Hong Kong
Fortune Overseas Investment Holdings Limited	Hong Kong	HK$2	—	100%	Inactive
Gaojin Electronics (Shenzhen) Company Limited ("Gaojin") *(i)*	The PRC	US$5,000,000	—	100%	Manufacture of electronic products in the PRC
廣州高田投資有限公司 Guangzhou Gaotian Investment Limited *(i)*	The PRC	RMB20,000,000	—	100%	Property development and property investment in the PRC
廣州建陽房地產發展有限公司 Guangzhou Kinyang Real Estate Development Co., Ltd. *(i)*	The PRC	RMB112,000,000	—	100%	Property development and property investment in the PRC
廣州君譽酒店投資有限公司 Guangzhou Junyu Hotel Investment Limited *(i)*	The PRC	RMB20,000,000	—	100%	Hotel operation and management in the PRC
廣州賢莊房地產開發有限公司 Guangzhou Xianzhuang Properties Development Limited *(i)*	The PRC	RMB13,800,000	—	100%	Property development in the PRC
廣州永祥投資有限公司 Guangzhou Yongxiang Investment Limited *(i)*	The PRC	RMB11,000,000	—	100%	Investment holding in the PRC
廣州譽晟房地產開發有限公司 Guangzhou Yusheng Real Estate Development Limited *(i)*	The PRC	RMB10,000,000	—	100%	Inactive
Good Order International Inc.	BVI	US$100	—	100%	Investment holding in Hong Kong

19. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

Particulars of the subsidiaries at 31 December 2010 were as follows: *(Continued)*

Name	Place/ country of incorporation/ registration	Issued and fully paid share/ registered capital	Interest held by Company	Interest held by Subsidiary	Principal activities and places of operations
廣州黃埔金成房產開發有限公司 Huangpu Caming Real Estate Development Limited *(i)*	The PRC	US$13,000,000	—	100%	Property development in the PRC
海口易晟實業有限公司 Haikou Yicheng Industries Limited *(i)*	The PRC	RMB10,000,000	—	100%	Investment holding in the PRC
海南凱亞實業有限公司 Hainan Kaiya Industries Limited *(i)*	The PRC	RMB20,000,000	—	100%	Investment holding in the PRC
海南宏倫置業有限公司 Hainan Honglun Properties Limited *(i) & (iii)*	The PRC	RMB30,000,000	—	63.2%	Property development in the PRC
海南白馬天鵝灣置業有限公司 Hainan White Horse Swan Bay Garden Properties Limited *(i) & (iv)*	The PRC	RMB100,000,000	—	25%	Property development in the PRC
Issegon Company Limited	Hong Kong	HK$300,000	—	100%	Investment holding in Hong Kong
Master Base Limited	BVI	US$1	100%	—	Investment holding in Hong Kong
Maxson Services Limited	Hong Kong	HK$2	—	100%	Provision of accountancy and management services to group companies in Hong Kong
Merit Capital Limited	BVI	US$1	—	100%	Capital financing to group companies in Hong Kong
Merit Style Development Limited	Hong Kong	HK$1	—	100%	Inactive
Probest Holdings Inc.	BVI	US$1	—	100%	Investment holding in Hong Kong
Profit Venture Investment Limited	Hong Kong	HK$10,000	—	100%	Investment holding in the PRC

19. INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

Particulars of the subsidiaries at 31 December 2010 were as follows: *(Continued)*

Name	Place/ country of incorporation/ registration	Issued and fully paid share/ registered capital	Interest held by Company	Interest held by Subsidiary	Principal activities and places of operations
Sure Win Inc. Limited	Hong Kong	HK$100	—	100%	Investment holding in the PRC
Talent Central Limited	BVI	US$101	—	100%	Investment holding in Hong Kong
Talent Prosper Corporation	BVI	US$2	—	100%	Investment holding Hong Kong
Team Force Corporation	BVI	US$100	—	100%	Investment holding in Hong Kong

The names of certain companies referred in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

Notes:

(i) The above companies are registered as a wholly foreign owned enterprises under the PRC law.

(ii) During the year ended 31 December 2010, subsidiaries of the Group, Super Fold Inc, and Wealth Zone Holdings Limited were deregistered.

(iii) By an agreement signed on 20 August 2009 between all the investors of Hainan Honglun, Hainan Kaiya, a company registered in the PRC, was agreed to be the only managing party of Hainan Honglun, and the other investors were just entitled to the profit and loss generated from Hainan Honglun.

(iv) By an agreement signed on 24 September 2009 between all the investors of Hainan Swan Bay, Hainan Kaiya, a company registered in the PRC, was agreed to be the only managing party of Hainan Swan Bay, and the other investors were just entitled to the profit and loss generated from Hainan Swan Bay. Therefore the directors are of the opinion that the Group has the power to govern the financial and operating policies of Hainan White Horse Swan Bay Garden Properties Limited, therefore, it is regarded as a subsidiary of the Group.

20. INTERESTS IN AN ASSOCIATE — GROUP

	2010 **HK$'000**	2009 HK$'000
Share of net assets	**534,905**	—
Goodwill *(note (a))*	**4,483**	—
	539,388	—

Name	Country of registration	Issued and fully paid registered capital	Percentages of attributable equity interest Company	Subsidiary	Principal activities and places of operations
廣州新天房地產發展有限公司 Guangzhou Xintian Properties Development Limited	The PRC	RMB300,000,000	—	30%	Property development in PRC

The name of above company referred in these consolidated financial statements represent management's best effort in translation of the Chinese names of this company as no English names have been registered or available.

20. INTERESTS IN AN ASSOCIATE — GROUP *(Continued)*

The following financial information, after making adjustments to conform to the Group's significant accounting policies, represents the Group's aggregate share of assets, liabilities, revenue and results of associated company, all of which are unlisted:

Summary of financial interests shared from an associate is set out below:

	2010 HK$'000	2009 HK$'000
Total assets	**913,954**	—
Total liabilities	**(379,049)**	—
Net assets	**534,905**	—
The Group's share of net assets of an associate	**30%**	—
Loss for the year	**(5,449)**	—
The Group's share of results of an associate for the year	**(1,634)**	—

Note (a)

	2010 HK$'000	2009 HK$'000
Cost and carrying value		
Additions from the acquisition of an associate	**4,483**	—

21. DEFERRED PRODUCT DEVELOPMENT COSTS — GROUP

	2010 HK$'000	2009 HK$'000
Net carrying amount at the beginning of the year	**937**	1,000
Additions	**771**	1,065
Amortisation charge	**(957)**	(1,128)
Net carrying amount at the end of the year	**751**	937

	2010 HK$'000	2009 HK$'000
At 31 December		
Gross carrying amount	**32,271**	31,500
Accumulated amortisation	**(31,520)**	(30,563)
Net carrying amount at 31 December	**751**	937

22. AVAILIABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2010 HK$'000	2009 HK$'000
Listed equity securities in Hong Kong, at market value *(note (a))*	**—**	2,815
Listed equity securities outside Hong Kong, at market value *(note (a))*	**3,036**	—
	3,036	2,815

Note:

(a) Listed equity securities are stated at fair value. The fair value of the investment in listed equity securities in Hong Kong and outside Hong Kong have been determined directly by reference to their quoted bid prices at the reporting date.

The fair value of the Group's investments in listed equity securities classified as available-for-sale financial assets has been measured as described in note 48(g).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2010 **HK$'000**	2009 HK$'000
Listed equity securities held for trading		
— in HK, at market value	**686**	4,322
— in USA, at market value	**6,486**	6,835
Total	**7,172**	11,157

Listed equity securities are stated at fair value. The fair value of the investment in listed equity securities has been determined directly by reference to their quoted bid prices at the reporting date.

The fair value of the Group's investments in listed equity securities classified as financial assets at fair value through profit or loss has been measured as described in note 48(g).

24. PROPERTIES UNDER DEVELOPMENT — GROUP

	2010 **HK$'000**	2009 HK$'000
Properties under development include:		
— Construction costs and capitalised expenditures	**3,017,941**	—

All properties under development are located in the PRC.

As at 31 December 2010, the properties under development with the approximate fair value of HK$2,208,780,000 were pledged as collateral for the Group's bank borrowings granted to the Group to the extent of HK$878,250,000.

25. COMPLETED PROPERTIES HELD FOR SALE — GROUP

	2010 **HK$'000**	2009 HK$'000
Completed properties held for sale, at cost	**902,593**	—

The completed properties held for sale are located in the PRC.

26. INVENTORIES — GROUP

	2010 HK$'000	2009 HK$'000
Electronic products		
Raw materials	**33,120**	31,214
Work in progress	**18,721**	15,387
Finished goods	**5,781**	4,467
	57,622	51,068
Less: Allowance for inventories	**(15,166)**	(16,415)
	42,456	34,653
Precious metal, at fair value	**5,544**	4,276
	48,000	38,929

Movement in allowance account for inventories during the year are as follows:

	2010 HK$'000	2009 HK$'000
At the beginning of the year	**16,415**	14,537
Provision for the year	**—**	1,878
Written back of provision for slow moving inventories	**(1,249)**	—
At the end of the year	**15,166**	16,415

27. TRADE AND BILL RECEIVABLES — GROUP

	2010 HK$'000	2009 HK$'000
Trade receivables	**104,411**	31,272
Less: Provision for impairment of trade receivables recognised	**(318)**	(318)
Trade receivables — net	**104,093**	30,954
Bill receivables	**—**	52
	104,093	31,006

27. TRADE AND BILL RECEIVABLES — GROUP *(Continued)*

The directors considered that the fair value of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inspection.

The majority of the Group's sales are on credit or documents against payment. According to the credit rating of different customers, the Group allows a range of credit periods ranging from 30 days to 90 days (2009: 30 days to 90 days) to its trade customers.

Provision for impairment of trade receivables is recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment on trade receivable is as follows:

	2010 **HK$'000**	2009 HK$'000
At the beginning of the year	**318**	773
Reversal of provision for impairment of trade receivables	**—**	(455)
At the end of the year	**318**	318

Based on the invoice date, the ageing analysis of the trade receivables is as follows:

	2010 **HK$'000**	2009 HK$'000
0 to 90 days	**41,109**	28,505
91 to 180 days	**6,925**	2,449
181 to 365 days	**20,895**	—
Over 365 days	**35,164**	—
	104,093	30,954

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. The impaired trade receivables were due from customers that were in default of payments.

27. TRADE AND BILL RECEIVABLES — GROUP *(Continued)*

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	2010 HK$'000	2009 HK$'000
Neither past due not impaired	23,515	18,265
Past due but not impaired	80,578	12,689
	104,093	30,954

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default of payments.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are still considered to be recoverable.

The Group did not hold any collateral in respect of trade receivables.

Majority of the Group's trade receivables are denominated in HK$ and RMB, no interest is charged on trade receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of diversified customers.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Non-current asset				
Deposit for acquisition of property, plant and equipment	—	3,707	—	—
Current assets				
Deposits	2,451	1,988	—	—
Prepayments	941	230	477	170
Other receivables *(note (a))*	585,829	3,898	397	364
	589,221	6,116	874	534

Note:

(a) The amount of other receivable in 2010 including the amount of HK$444,980,000 which is indemnified by Talent Trend Holdings Limited according to the sales and purchase agreement for the sale of Talent Central Limited to the Group.

29. RESTRICTED CASH

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee deposit for construction of projects *(note (a))*	**16,273**	—	**—**	—

Note:

(a) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place the proceeds received from pre-sales of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials for the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. The restriction will be released after the construction is completed or real estate ownership certificate of the pre-sold properties is issued, whichever is earlier.

Restricted cash earns interest at floating daily bank deposit rates.

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**239,819**	175,963	**3,040**	28,203
Short-term bank deposits	**537,559**	460,472	**537,559**	407,572
	777,378	636,435	**540,599**	435,775

The short-term bank deposits earn interest at 0.26% to 1% per annum (2009: 0.22% to 3.63%). They have a maturity ranging from 7 days to 125 days (2009: 30 days to 180 days) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

The directors of the Company considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank and cash balances of the Group approximately HK$142,529,000 (2009: approximately HK$976,000) was denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

31. TRADE PAYABLES — GROUP

The Group was granted by its suppliers credit periods ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	2010 HK$'000	2009 HK$'000
0 to 90 days	42,321	31,720
91 to 180 days	1,541	25
181 to 365 days	—	20
Over 365 days	14,859	—
	58,721	31,765

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

32. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Deposits received	1,509	510	—	—
Receipts in advance from customers	24,214	—	—	—
Accruals	277,003	21,720	1,141	1,842
Other payables *(Note)*	1,291,680	725	540,188	187
	1,594,406	22,955	541,329	2,029

Note: The amount of other payables in 2010 included the amount of HK$540,000,000 which is the cash payables to Talent Trend Holdings Limited for the acquisition of Talent Central Limited and the approximate amount of HK$312,509,000 which is the amounts due to an associate.

33. PROVISION FOR LONG SERVICE PAYMENT

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
At the beginning of the year	2,160	2,963	230	230
Reversal of over-provision	—	(803)	—	—
At the end of the year	2,160	2,160	230	230

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the reporting date.

34. DEFERRED TAX — GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the countries in which the Group operates.

The Group has tax losses arising in Hong Kong of approximately HK$143,357,000 (2009: approximately HK$113,360,000), subject to the agreement of Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in subsidiaries with unpredictability of future profit streams.

Deferred tax liabilities in respect of the temporary differences associated with the undistributed earnings of subsidiaries have not been provided as the Group is in a position to control the timing of reversal of these differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax liabilities of the Group is as follows:

	2010 HK$'000	2009 HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**1,139,046**	—

The net movements on the deferred taxation are as follows:

	2010 HK$'000	2009 HK$'000
Additions from the acquisition of subsidaries and balance as at end of the year	**1,139,046**	—

35. SHARE CAPITAL

	2010 Number of shares	**2010 HK$'000**	2009 Number of shares	2009 HK$'000
Authorised:				
Ordinary shares of HK$0.004 each				
At 1 January and at 31 December	**125,000,000,000**	**500,000**	125,000,000,000	500,000

	2010 Number of shares	**2010 HK$'000**	2009 Number of shares	2009 HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.004 each				
At 1 January and at 31 December	**2,247,682,010**	**8,991**	2,247,682,010	8,991

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(i) Share premium and capital redemption reserve

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended).

(ii) Contributed surplus

The contributed surplus of the Group represents the surplus arising from the Group's capital reorganisation in respect of its capital reduction, share subdivision and share consolidation in 2003.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus; if:

— the company is, or would after the payment be, unable to pay its liabilities as they become due; or

— the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) Capital reserve

Reserve are transferred from retained earnings for compensation if loss and any accident incurred in the future. The capital reserve arose due to the acquisition of PRC subsidiaries during the year and re-organisation of Hong Kong subsidiaries in previous year.

(iv) Currency translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.6.

(v) Convertible notes reserve

On 10 December 2010, the Company issued five years zero-coupon Hong Kong Dollar convertible notes, due on 10 December 2015 for a principal amount of HK$3,100,000,000 which was part of the consideration for the acquisition of Talent Central Limited. The convertible notes are convertible, at the option of noteholders into ordinary shares of HK$0.004 each of the Company at an initial conversion price of HK$0.33 per share, at any time after the expiry of the Put Option up to and including 10 December 2015.

The convertible notes contain two components, liability and equity element. The liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as "Convertible notes reserve".

36. RESERVES *(Continued)*

(a) Group *(Continued)*

(vi) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of each reporting period and is dealt with in accordance with the accounting policy set out in note 2.15(iii).

(vii) Property revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings.

(b) Company

	Capital Share premium HK'000	Redemption reserve HK'000	Contributed surplus HK'000	Convertible notes reserve HK'000	Share-based compensation reserve HK'000	Accumulated losses HK'000	Total HK'000
At 1 January 2009	365,359	77	368,125	—	16,966	(24,997)	725,530
Loss for the year and total comprehensive income for the year	—	—	—	—	—	(22,200)	(22,200)
At 31 December 2009 and 1 January 2010	365,359	77	368,125	—	16,966	(47,197)	703,330
Issue of convertible notes	—	—	—	602,879	—	—	602,879
Profit for the year and total comprehensive income for the year	—	—	—	—	—	31,317	31,317
At 31 December 2010	**365,359**	**77**	**368,125**	**602,879**	**16,966**	**(15,880)**	**1,337,526**

The contributed surplus of the Company represents (i) the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition and (ii) the capital reorganisation as disclosed in note 36(a)(ii).

At 31 December 2010, the aggregate amount of reserves available for distribution to owners of the Company, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), was approximately HK$352,245,000 (2009: approximately HK$320,928,000). In addition, the Company's share premium account, in the amount of approximately HK$365,359,000 at both reporting dates may be distributed in the form of fully paid bonus shares.

37. SHARE OPTION SCHEME

As at 31 December 2010 the Group maintained a share option scheme for employee compensation.

The Company operates a share option scheme (the "Tomorrow Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Tomorrow Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder of the Company's subsidiaries. The Tomorrow Scheme became effective on 29 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Tomorrow Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Tomorrow Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Share options granted to a director, chief executive or substantial shareholder of the company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the company or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Tomorrow Scheme at any time during a period not exceeding five years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

37. SHARE OPTION SCHEME *(Continued)*

The following table shows the movement of the Company's share options during the year ended 31 December 2010.

Date of share options granted	Outstanding at the beginning of the year	Granted during the year	Lapsed during the year	Outstanding at the end of the year	Subscription price	Exercise period
21 May 2007	49,050,000	—	—	49,050,000	HK$0.30	21 May 2007 to 20 May 2012
25 September 2007	52,350,000	—	—	52,350,000	HK$0.296	25 September 2007 to 24 September 2012

In assessing the theoretical aggregate value of the share options granted and fully accepted during the year, the Binomial option pricing model has been used. No share option expense was recognised in current year (2009: Nil).

Share options granted and fully accepted during year ended 31 December 2007:

Date of Grant:	21 May 2007 and 25 September 2007
Vesting Period:	21 May 2007 and 25 September 2007
Exercise Period:	21 May 2007 to 20 May 2012 and 25 September 2007 to 24 September 2012
Exercise Price:	HK$0.30 and HK$0.296 per share

37. SHARE OPTION SCHEME *(Continued)*

Grantee	Date of share options granted	Number of share options granted	Share options value at HK$ *(note (b))*	Number of share options at 31 December 2009 and 2010
Employees	21 May 2007	49,050,000	8,485,650	49,050,000
Directors	25 September 2007	44,940,000	7,280,280	44,940,000
Employees	25 September 2007	7,410,000	1,200,420	7,410,000
				101,400,000

Notes:

(a) The closing prices of the ordinary shares of the Company immediately before the date on which the options were granted were HK$0.3 on 21 May 2007 and HK$0.275 on 25 September 2007.

(b) According to the Binomial model, the theoretical aggregate value of the options was estimated at HK$8,485,650 and HK$8,480,700 as at 21 May 2007 and 25 September 2007 respectively (when the options were granted) with the following variables and assumptions:

Risk Free Rate:	4.164% and 4.102%, being the approximate yield of Exchange Fund Bills and Notes issued by Hong Kong government for the time to maturity of the option as at the valuation date quoted by Hong Kong Monetary Authority.
Expected Volatility:	64.44% and 69.35%, being the average annualised standard deviations of the continuously compounded rates of return on the share prices of two other comparable companies with similar business operations
Expected Life of the Options:	5 years from the date of granting
Expected Dividend Yield:	Nil

Options forfeited, if any, before the expiry of the options will be treated as lapsed options which will be added back to the number of ordinary shares available to be issued under the relevant share options scheme.

38. INTEREST-BEARING BORROWINGS — GROUP

	2010 HK$'000	2009 HK$'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	798,560	—
Other borrowings — unsecured	556,675	—
	1,355,235	
Less: current portion of long-term borrowings — secured	(29,577)	—
	1,325,658	—

The maturity of the borrowings included in non-current liabilities is as follows:

	2010 HK$'000	2009 HK$'000
Between 1 and 2 years	611,825	—
Between 2 and 5 years	215,925	—
Over 5 years	497,908	—
	1,325,658	—

The Group has variable-rate borrowings which carry interest ranged from the People's Bank of China 3–15 year loan base rate. Interest is repriced annually.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank loans are ranged from 5.64% to 6.24% for the year ended 31 December 2010 and secured by certain investment properties, properties under development, land use rights and construction-in-progress.

The effective interest rates (which are also equal to contracted interest rates) on the Group's other unsecured borrowing are 5.85% for the year ended 31 December 2010.

The fair value of the Group's current borrowings approximates their carrying amounts at each of the reporting dates for the reason that the impact of discounting is not significant or the borrowings carry floating rate interests.

The fair values of the Group's non-current borrowings approximate their carrying amounts at each of the reporting dates as all the non-current borrowings carry floating rate interests.

As at 31 December 2010, the Group's bank loans and other borrowings were all denominated in RMB.

39. OBLIGATIONS UNDER FINANCE LEASE — GROUP

At 31 December 2010, the total future minimum lease payments under finance leases and their present value, were as follows:

	Minimum Lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year	**41**	48	**41**	48
Due in the second to fifth years	**—**	39	**—**	39
	41	87	**41**	87
Less: future finance charges	**—**	—		
Present value of finance lease liabilities	**41**	87		
Less: Portion due within one year included under current liabilities			**(41)**	(48)
Portion due in the second to the fifth years included under non-current liabilities			**—**	39

The Group has entered into finance leases for certain office equipments. The leases run for the period of five years and do not have an option to review the lease terms. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the lease assets at the price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

Finance lease liabilities were effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default repayment by the Group.

40. CONVERTIBLE NOTES — GROUP AND COMPANY

On 10 December 2010, the Company issued convertible notes with a principal amount of HK$3,100 million as part of the consideration to acquire Talent Central Limited. The convertible notes were denominated in Hong Kong Dollars, unsecured, transferrable and interest-free. The convertible notes entitled the holders thereof to convert the convertible notes, in whole or in part, into ordinary shares of the Company at a conversion price of HK$0.33 per share, at any time after the expiry of the put option to and including 10 December 2015 (the "Maturity Date").

The principal amount of HK$1,090 million of the convertible notes are pledged and will be released to Talent Trend Holdings Limited ("Talent Trend") which is the vendor of Talent Central Limited according to the sale and purchase agreement signed between Talent Trend and Canton Million Investments Limited which is a directly owned subsidiary of the Company for the acquisition of Talent Central Limited.

The convertible notes contained 2 components, liability component and equity component. The effective interest rate for the liability component is 9.05% per annum.

The convertible notes have been split between the liability and equity components as follows:

	2010 HK$'000	2009 HK$'000
Fair value of convertible notes issued	2,574,228	—
Equity component	(602,879)	—
Liability component at the issuance date	1,971,349	—
Imputed finance costs	10,290	—
Non-current liability component at the end of the reporting period	1,981,639	—

41. PROMISSORY NOTES — GROUP

On 10 December 2010, the Group issued promissory notes with a principal amount of HK$160 million (the "Notes") as part of the consideration to acquire Talent Central Limited. The Notes were denominated in Hong Kong Dollars, unsecured and transferrable. The Notes carried interest at the rate of 5% per annum, payable at maturity and will mature on 10 June 2013 (the "Maturity Date"), unless redeemed earlier in minimum amount of HK$500,000 or whole multiple thereof without any penalty, fee or other additional payment.

	2010 HK$'000	2009 HK$'000
Principal sum on date of issuance	160,000	—
Fair value adjustment at the issuance date	(25,647)	—
At initial recognition	134,353	—
Imputed finance cost	919	—
Non-current liability component at the end of the reporting period	135,272	—

The effective interest rate for the Notes is 12.12% per annum.

42. ACQUISITION OF SUBSIDIARIES — GROUP

On 6 July 2010, the Group entered into an agreement to acquire 100% equity interest in Talent Central Limited at consideration payable by cash, convertible notes and promissory notes in aggregate amount of HK$3,800,000,000 in which its fair value is approximately HK$3,248,581,000 after taking into account of the change in fair value of the convertible notes and the promissory notes (the "Acquisition"). The new subsidiaries are principally engaged in properties development, properties investment and hotel operation in the PRC and the acquisition was completed on 10 December 2010.

The Board believes the Acquisition to diversify into properties development, properties investment and hotel operation in the PRC will enable the Group to broaden its income source and provide the Group with opportunity to capture the growth potential of the property sector in the PRC. The Board also believes the investment properties and the hotel held by those subsidiaries could generate stable income for the Group and enhance its investment portfolio and profitability in future. Given the operating environment for the Group's existing business remains challenging, the Board is of the view that the Acquisition is expected to improve the profitability and facilitate the sustainable development of the Group in future.

42. ACQUISITION OF SUBSIDIARIES — GROUP *(Continued)*

The assets and liabilities of Talent Central Limited acquired at the date of completion of the Acquisition are as follows:

	2010 HK'000
Property, plant and equipment	523,649
Land use rights	1,112,450
Investment properties	1,146,409
Interests in an associate	539,388
Available-for-sale financial assets	3,001
Properties under development	2,988,392
Completed properties held for sales	965,720
Trade receivables	66,617
Prepayment, deposits and other receivables	525,702
Cash and cash equivalents	143,047
Restricted cash	11,580
Trade payables	(109,755)
Accruals and other payables	(933,622)
Interest-bearing bank borrowing	(765,895)
Other unsecured borrowing	(556,675)
Provision for taxation	(123,654)
Deferred taxation	(1,139,046)
Non-controlling interests	(592,112)
	3,805,196
Gain on bargain purchases arising on acquisition	(556,615)
Total consideration	3,248,581
Satisfied by:	
Other payable	540,000
Fair value of convertible notes	2,574,228
Fair value of unsecured promissory notes	134,353
	3,248,581
Analysis of net inflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Cash and bank balances acquired	143,047

43. CAPITAL COMMITMENTS

Group

	2010 HK$'000	2009 HK$'000
Capital commitments (contracted but not provided for):		
Property, plant and equipment	—	554
Construction of properties under development	247,961	—
	247,961	554
Capital commitments (authorised but not contracted for):		
Construction of properties under development	1,879,150	—
	2,127,111	554

Company

The Company does not have any significant commitments as at 31 December 2010 and 2009.

44. OPERATING LEASE COMMITMENTS

Group

As Lessee

As at 31 December 2010, the total future minimum lease payments under non-cancellable operating leases in respect of land and building are payable by the Group as follows:

	2010 HK$'000	2009 HK$'000
Within one year	3,778	7,614
In the second to fifth years	7,176	2,332
Later than five years	9,113	—
	20,067	9,946

The Group leases a number of properties under operating leases. The leases run for an initial period of one to fifteen years (2009: one to ten years), with an option to renew the lease and renegotiated the terms at the expiry date as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

44. OPERATING LEASE COMMITMENTS *(Continued)*

Group *(Continued)*

As Lessor

At 31 December 2010, the total future minimum lease receivable under non-cancellable operating leases in respect of land and building are receivable by the Group as follows:

	2010 HK$'000	2009 HK$'000
Within one year	19,757	—
In the second to fifth years	58,869	—
Later than five years	44,027	—
	122,653	—

Company

The Company does not have any significant operating lease commitments as lessee and lessor as at 31 December 2010 and 2009.

45. BANKING FACILITIES

Group

The banking facilities including bank loans, overdraft, trust receipt and letter of credit are secured by the Group's investment properties, construction-in-progress, land use rights and properties under development with the approximate value of HK$4,680,761,000 and corporate guarantee from third party. The total banking facilities amounted to HK$1,641,680,000 of which HK$798,560,000 were utilised at the end of the reporting period.

The banking facilities including import loan, overdrafts and trust receipt granted to subsidiaries are secured by the corporate guarantee of the Company. The total banking facilities amounted to HK$24,000,000 of which none were utilised at the end of the reporting period.

Company

The Company does not have any banking facilities granted and utilised as at 31 December 2010 and 2009.

46. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

Group

	2010 HK$'000	2009 HK$'000
Guarantee given in respect of banking facilities for:		
— Third parties *(note (a))*	151,059	—
— Mortgage facilities for certain purchasers of the Group's property units *(note (b))*	20,024	—
	171,083	—

Notes:

(a) The Group's investment properties with fair value of HK$240,465,000 was pledged to banks to secure general banking facilities granted to third parties to the extent of HK$69,089,000.

Besides the above investment properties, the Group had also provided corporate guarantees by its subsidiaries to secure general banking facilities granted to third parties to the extent of HK$81,970,000.

Under the guarantees, the Group would be liable to pay the bank if the bank is unable to recover the amount granted.

At the reporting date, no provision for the Group's obligation under the guarantee contract has been made as the directors consider that it is not probable that the amount granted will be in default.

(b) It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 31 December 2010 of HK$20,024,000 (2009: Nil), was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in these financial statements for the guarantees.

46. PLEDGE OF ASSETS AND CONTINGENT LIABILITIES *(Continued)*

Company

	2010 HK$'000	2009 HK$'000
Guarantee given in respect of banking facilities for:		
— Subsidiaries	**24,000**	24,000

As at 31 December 2010 and 2009, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees since there is no utilisation for the facility granted to its subsidiaries.

Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the amount granted.

At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that it is not probable that the amount granted will be in default.

47. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

(a) Compensation of key management personnel:

The directors are of the opinion that the key management personnel were the executive and non-executive director of the Company, details of whose emoluments are set out in note 11.1.

(b) Balance with related party:

	2010 HK$'000	2009 HK$'000
Balances due to a related party		
— included in accruals and other payables		
Associate:		
廣州新天房地產發展有限公司 Guangzhou Xintian Properties Development Limited	**312,509**	—

Balances due to a related party are unsecured, interest-free and settled according to the contract terms.

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

The Group does not have written risk management policies and guidelines. Generally, the Group employs a conservative strategy regarding its risk management. Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors periodically. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels. As the Group's exposure to market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk are kept at a minimum level, the Group has not used any derivative or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the reporting date, the Group's and the Company's financial instruments mainly consisted of available-for-sale financial assets, financial assets at fair value through profit or loss, restricted cash, cash and cash equivalents, trade and bill receivables, deposits and other receivables, trade payables, accruals and other payables, obligations under finance lease, amounts due from subsidiaries, interest-bearing borrowing, promissory notes and convertible notes.

(a) Categories of financial assets and liabilities

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

	Group		Company	
Financial assets	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Available-for-sale financial assets	**3,036**	2,815	**—**	—
Financial assets at fair value through profit or loss	**7,172**	11,157	**—**	—
Loans and receivables				
— Trade and bill receivables	**104,093**	31,006	**—**	—
— Amounts due from subsidiaries	**—**	—	**3,328,228**	184,941
— Deposits and other receivables *(note 28)*	**588,280**	5,886	**397**	364
— Restricted cash	**16,273**	—	**—**	—
— Cash and cash equivalents	**777,378**	636,435	**540,599**	435,775
	1,486,024	673,327	**3,869,224**	621,080
	1,496,232	687,299	**3,869,224**	621,080

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(a) Categories of financial assets and liabilities *(Continued)*

	Group		Company	
	2010	2009	**2010**	2009
Financial liabilities	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial liabilities measured at amortised cost				
— Trade payables	**(58,721)**	(31,765)	**—**	—
— Accruals and other payables *(note 32)*	**(1,594,406)**	(22,955)	**(541,329)**	(2,029)
— Obligations under finance lease	**(41)**	(87)	**—**	—
— Interest-bearing borrowing	**(1,355,235)**	—	**—**	—
— Promissory notes	**(135,272)**	—	**—**	—
— Convertible notes	**(1,981,639)**	—	**(1,981,639)**	—
	(5,125,314)	(54,807)	**(2,522,968)**	(2,029)

(b) Foreign currency risk

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

The Group is operated in Hong Kong and the PRC with most of the transactions settled in HK$, RMB and United States Dollars ("US$"). As HK$ is pegged to US$ the directors do not expect any significant exposure to foreign currency risk in this respect. As at the reporting date, foreign currencies were translated into HK$ at the closing rate.

Deposits invested into various bank deposits are mainly denominated in HK$, US$ and RMB. Foreign currencies were translated into HK$ at the closing rate as the reporting date. As at 31 December 2010, cash and bank balances mainly included HK$376,484,000, US$33,137,000 (approximately HK$256,813,000) and RMB121,716,000 (approximately HK$142,529,000). Any foreign currency exchange rate fluctuations in connection with its foreign currency denominated bank deposits may have a financial impact to the Group.

The interest-bearing borrowings are mainly denominated in RMB. Foreign currency was translated into HK$ at the closing rate as the reporting date. As at 31 December 2010, the interest-bearing borrowings were RMB1,157,331,000 (approximately HK$1,355,235,000). Any foreign currency exchange rate fluctuations in connection with its foreign currency denominated interest-bearing borrowings may have a financial impact to the Group.

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(b) Foreign currency risk *(Continued)*

Sensitivity analysis

At 31 December 2010, if HK$ had strengthened by 10% against RMB with all other variables held constant, post-tax profit for the year and retained profits would have been approximately HK$121,271,000 higher respectively (2009: HK$1,105,000), as a result of net foreign exchange gain on translation of RMB, CHF and AUD denominated cash and bank balances and interest-bearing borrowings.

Conversely, if HK$ had weakened by 10% against RMB, Swiss Franc ("CHF") and Australian Dollars ("AUD"), with all other variables held constant, post-tax profit for the year and retained profits would have been approximately HK$121,271,000 lower respectively (2009: HK$1,105,000), as a result of net foreign exchange losses on translation of RMB, CHF and AUD denominated cash and bank balances and interest-bearing borrowings.

The Company does not have significant exposure to foreign currency risk at the reporting date (31 December 2009: Nil).

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The carrying amounts of trade receivables, deposits and other receivables, restricted cash and cash and cash equivalent included in the face of the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

For the sale of trading goods, the Group generally has established long-term and stable relationships with its customers. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group allows a range of credit periods from 30 days to 90 days to its trade customers. During the year ended 31 December 2010 and 2009, the Group had not provided impairment of trade receivables.

For the sale of properties, the Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. During the year ended 31 December 2010 and 2009, the Group had not provided impairment of trade receivables.

The Group maintains its cash and cash equivalents with reputable banks in Hong Kong and the PRC, therefore the directors consider that the credit risk for such is minimal.

The credit and investment policies to manage foreign currency risk have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(d) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank borrowings, unsecured loan and promissory notes. Bank deposits, bank borrowings and unsecured loan issued at variable rates expose the Group to cash flow interest-rate risk and fair value interest rate risk.

The Group has interest-bearing assets and liabilities in relation to cash at bank carried at effective interest rates with reference to the market. Details of which are disclosed in note 30 and 38. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks and bank loans is considered minimal.

At 31 December 2010, if interest rates had been 100 basis points higher/lower, with all other variables held constant, post-tax profit and retained profits would have been approximately HK$3,304,000 (2009: approximately HK$6,360,000) lower/higher (2009: higher/lower) respectively, as a result of increase/decrease in net interest expenses (including interest expenses net of interest income) on bank borrowings and bank deposit at variables rates.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(e) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Equity price risk

The Group is exposed to change in market prices of listed equity in respect of its investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 30% in the current year as a result of the volatile financial market.

In respect of the investments in listed equity classified as available-for-sale financial assets, if equity prices had been 30% higher/lower, the impact on other comprehensive income for the year ended 31 December 2010 would increase/decrease by HK$911,000 respectively (2009: HK$845,000). This is mainly due to the change in fair value of available-for-sale financial assets.

In respect of the investments in listed equity classified as financial assets at fair value through profit or loss, if equity prices had been 30% higher/lower, post-tax profit and the retained profits for the year ended 31 December 2010 would increase/decrease by approximately HK$2,152,000 respectively (2009: approximately HK$3,347,000).

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

The Company does not expose to other price risk as no listed equity investments held at the reporting date.

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(f) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables, obligations under finance lease, interest-bearing borrowings, promissory notes and convertible notes, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring the cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly.

The Group's liquidity is mainly dependent upon the cash received from its customers of trading goods and property held for sale, and funds financing for property under construction. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The following tables detail the remaining contractual maturities at the reporting date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

Group

	As at 31 December 2010					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	Between one year and two years HK$'000	Between two years and five years HK$'000	More than five years HK$'000
Trade payables	58,721	58,721	(58,721)	—	—	—
Accruals and other payables	1,594,406	1,594,406	(1,594,406)	—	—	—
Obligations under finance lease	41	41	(41)	—	—	—
Interest-bearing borrowing (principal amount plus interest)	1,355,235	1,736,793	(152,170)	(704,563)	(297,516)	(582,544)
Promissory notes (principal amount plus interest)	135,272	179,540	(8,000)	(8,000)	(163,540)	—
Convertible notes	1,981,639	3,100,000	—	—	(3,100,000)	—
	5,125,314	6,669,501	(1,813,338)	(712,563)	(3,561,056)	(582,544)

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(f) Liquidity risk *(Continued)*

Group *(Continued)*

	As at 31 December 2009			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than two years HK$'000
Trade payables	31,765	31,765	(31,765)	—
Accruals and other payables	22,955	22,955	(22,955)	—
Obligations under finance lease	87	87	(48)	(39)
	54,807	54,807	(54,768)	(39)

Company

	As at 31 December 2010				
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	**Between one year and two years HK$'000**	**Between two years and five years HK$'000**
Accruals and other payables	**541,329**	**541,329**	**(541,329)**	**—**	**—**
Convertible notes	**1,981,639**	**3,100,000**	**—**	**—**	**(3,100,000)**
	2,522,968	**3,641,329**	**(541,329)**	**—**	**(3,100,000)**

	As at 31 December 2009		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
Accruals and other payables	2,029	2,029	(2,029)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(g) Fair value measurement recognised in the consolidated statement of financial position

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2010 — Group			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Available-for-sale financial assets	**3,036**	**—**	**—**	**3,036**
Listed securities designated at fair value through profit or loss	**7,172**	**—**	**—**	**7,172**
	10,208	**—**	**—**	**10,208**

	2009 — Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets	2,815	—	—	2,815
Listed securities designated at fair value through profit or loss	11,157	—	—	11,157
	13,972	—	—	13,972

48. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

(g) Fair value measurement recognised in the consolidated statement of financial position *(Continued)*

There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The listed equity securities are denominated in HK$, US$ and RMB. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

49. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

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

The Group regards total equity attributable to the owners of the Company presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2010 amounted to approximately HK$1,877,291,000 (2009: approximately HK$739,762,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

50. ULTIMATE HOLDING COMPANY

The directors consider Winspark Venture Limited, which is incorporated in the BVI, to be the ultimate holding company.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

YAU Tak Wah, Paul *(Chairman)*
LOUIE Mei Po
LIU Yee Nee
NG Pui Keung
YOU Xiaofei

Independent Non-executive Directors

NG Wai Hung
CHEUNG Chung Leung, Richard
LO Wai Hung

COMPANY SECRETARY

LIU Yee Nee

AUDITORS

Cheng & Cheng Limited
10/F., Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

LEGAL ADVISER IN HONG KONG

Vincent T.K. Cheung, Yap & Co.

LEGAL ADVISER ON BERMUDA LAW

Conyers, Dill & Pearman

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Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Credit Suisse
Bank of East Asia Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
LGT Bank in Liechtenstein (Singapore) Ltd.
The Hongkong and Shanghai Banking Corporation Limited
UBS