ANNUAL REPORT 2010

莊勝百貨集團有限公司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 758)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Zhou Chu Jian He *(Chairman)*
Ng Man Chung, Siman *(Deputy Chairman)*
Liu Zhongsheng *(Chief Executive Officer)*
Zhang Xiaobing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Leung Man Kit
Chan Kwok Wai
Lam Man Sum, Albert

AUDIT COMMITTEE

Chan Kwok Wai *(Chairman)*
Leung Man Kit
Lam Man Sum, Albert

REMUNERATION COMMITTEE

Leung Man Kit *(Chairman)*
Chan Kwok Wai
Lam Man Sum, Albert

COMPANY SECRETARY

Chan Kin Lung

QUALIFIED ACCOUNTANT

Choy Kwai Fan

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

SOLICITORS

David Lo & Partners
Suite 2101, Nine Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

HONG KONG BRANCH REGISTRAR

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East, Hong Kong

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F., Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

16/F., Junefield Plaza, Office Tower I
No. 6 Xuan Wu Men Wai Main Street, Beijing
The People's Republic of China

STOCK CODE

758

WEBSITE

http://junefield.etnet.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Junefield Department Store Group Limited (the "Company"), I am pleased to announce the annual results of the Company together with its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

RESULTS

In 2010, the Group's revenue increased to approximately HK$213,070,000 (2009: HK$120,006,000), representing a significant increase of 78% compared with last year. The Group's audited profit attributable to owners of the Company amounted to approximately HK$104,903,000 (2009: HK$108,692,000), representing a slight decrease of 3% compared over 2009. Basic earnings per share were HK10.49 cents (2009: HK13.91 cents).

BUSINESS REVIEW AND PROSPECTS

In 2010, the Group diversified its business to the segment of trading of coal via a wholly-owned subsidiary. It purchased steam coal originating from Indonesia from overseas suppliers and delivered to the People's Republic of China (the "PRC") as it is one of the major resources consuming countries. It contributed a turnover of approximately HK$24,385,000 and a profit of approximately HK$458,000 to the Group.

To the current income base, the Group continues to enlarge its investment properties portfolio in the PRC by acquiring high quality office premises to generate recurrent rental income. In addition, the performance of the Group's business of manufacture and sale of construction material and the jointly-controlled entity which is attributed to its retail and department store business are still positive, both delivered approximately HK$36,558,000 (2009: HK$12,940,000) and HK$96,980,000 (2009: HK$86,093,000) (before the PRC withholding tax) in profit contribution respectively, representing increases of 183% and 13% respectively over 2009.

Given the Group achieved encouraging results from the business of manufacture and sale of construction material which commenced business in 2009, the Group will focus its efforts on developments of this business and its related business in 2011. The Group believes that it is on the right direction to diversify its business into different business sectors. Meanwhile, the Group has established an investigation team to study and identify possible investment opportunities in Peru and other countries in South America.

Looking forward, the Group will proactively continue to identify acquisition opportunities that relate to its existing business or to diversify its business with the view to increase value for shareholders. The Group will further actively strengthen the financial position from time to time and consider raising funds by suitable means when opportunities arise.

CHAIRMAN'S STATEMENT

DIVIDEND

The Board recommended the payment of a final dividend of HK1.5 cents per share, together with the interim dividend of HK1 cent per share paid on 14 September 2010, makes a total dividend of HK2.5 cents per share for the year. The proposed dividend will be paid to the shareholders whose names appear on the Register of Members on Monday, 30 May 2011, subject to the approval of the shareholders at the forthcoming annual general meeting. Dividend warrants are expected to be despatched on or about 3 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 25 May 2011 to Monday, 30 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and be entitled to attend and vote at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 May 2011.

APPRECIATION

I would like to take this opportunity to thank the shareholders for their continuing support to the Group. I also thank my fellow directors and employees for their dedication and hard work.

Zhou Chu Jian He
Chairman

Hong Kong, 29 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

In 2010, the Group's revenue increased to approximately HK$213,070,000 (2009: HK$120,006,000), representing a significant increase of 78% compared with last year. The Group also achieved a profit of approximately HK$104,903,000 attributable to owners of the Company (2009: HK$108,692,000), representing a decrease of 3% compared over 2009. However, if the excess over the cost of a business combination recognised in 2009 were excluded from the result of 2009, the profit attributable to the owners of the Company for the current year would be increased by approximately of HK$13,873,000 or 15% compared over 2009.

The remarkable increase of revenue for the year under review was mainly contributed from the businesses of manufacture and sale of construction materials and the trading of coal.

OPERATIONS REVIEW

CONSTRUCTION MATERIAL BUSINESS

The Group's indirect 60%-owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji") which principally engages in the business of manufacture and sale of slag powder, performed well in 2010. It recorded a turnover of approximately HK$169,873,000 (2009: HK$64,968,000), representing a significant growth of 161% and delivered approximately HK$36,558,000 (2009: HK$12,940,000) in profit contribution, representing an increase of 183% compared to last year under review while the financial results of which has been consolidated into the financial statements of the Group since its acquisition completed on 22 May 2009. Currently, Hunan Taiji has two production lines in operation which have been run at about 94% of the optimum utilisation during the year under review. Given the strong demand for construction materials in the People's Republic of China (the "PRC"), it is expected that the profit contribution from this business segment will increase.

RETAIL BUSINESS IN WUHAN

During the year under review, the Group's indirect 49%-owned jointly-controlled entity continued to be a major profit contributor for the Group. It recorded a sales growth of 13% and the Group's share of profit also increased to approximately HK$96,980,000 (2009: HK$86,093,000) attributed to its retail and department store business, represented an increase of 13% as compared to last year. The Group received cash dividends of approximately HK$88,083,000 (after PRC withholding tax paid) for the second half of 2009 and first half of 2010 during the year under review.

With the increasing in domestic consumptions in the PRC, it is expected that the jointly-controlled entity will continue to provide the Group with a reliable income stream.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT PROPERTIES IN BEIJING

On 17 March 2010, the Group acquired 5 office units in Beijing at a total cash consideration of RMB8,517,470 (equivalent to approximately HK$9,679,000). During the year under review, the Group recorded a turnover of approximately HK$2,240,000 (2009: HK$362,000), representing an increase of 5 times over 2009 from leasing out its investment properties situated in Beijing, the PRC. The increase in gross rental income was due to the increase in number of office units being let out.

As a batch of 12 office units in Beijing has been contracted for sale in 2009 and its completion has taken place in February 2011, there was no turnover (2009: HK$26,341,000) and no profit (2009: HK$4,568,000) recorded from the sales of investment properties in 2010.

In view of the increasing demand of high quality office premises and rate of rent in Beijing since the fourth quarter of 2010, the Group will continue to identify new investment opportunities with high quality premises in Beijing to enlarge its property portfolio and to generate recurrent income to the Group in the future.

PROPERTY MANAGEMENT AND AGENCY SERVICES BUSINESS

During the year under review, the Group's property management business recorded a turnover of approximately HK$15,915,000 (2009: HK$14,835,000), representing an increase of 7% over 2009 and delivered a profit of approximately HK$1,963,000 (2009: HK$1,823,000), representing an increase of 8% over 2009.

TRADING OF COAL

In May 2010, the Group commenced its business of trading of coal via a wholly-owned subsidiary which purchased steam coal originating from Indonesia from overseas suppliers and delivered to the PRC as it is one of the major resources consuming countries. During the year under review, it recorded a turnover of approximately HK$24,385,000 and a profit of approximately HK$458,000.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY-CONTROLLED ENTITIES

Save as disclosed above, there is no material acquisition and disposal of subsidiaries, associated companies and jointly-controlled entities during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had net assets of approximately HK$488,876,000 (2009: HK$387,971,000) with total assets of approximately HK$732,614,000 (2009: HK$629,759,000) and total liabilities of approximately HK$243,738,000 (2009: HK$241,788,000). The Group's current ratio, which equals to current assets divided by current liabilities was 1.56 (2009: 1.50).

The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"), amounted to approximately HK$124,826,000 as at 31 December 2010 (2009: HK$91,746,000). The Group's gearing ratio, as a ratio of total interest-bearing borrowings and bank loan to total assets as at 31 December 2010, was 0.13 (2009: 0.19).

The directors believe that the Group currently has sufficient financial resources for its operations. The Group will remain cautious in the Group's liquidity management.

CAPITAL STRUCTURE AND TREASURY POLICIES

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

BORROWINGS

As at 31 December 2010, the Group had an interest-bearing bank loan of approximately HK$87,209,000 (2009: HK$113,798,000) is secured by guarantees executed by a related company of the Group and a minority shareholder of a subsidiary, denominated in RMB and bearing interest at an interest rate equivalent to that of a relevant term loan quoted by the People's Bank of China multiple by 120% and will be due in December 2013. An unsecured other loan of approximately HK$5,882,000 (2009: HK$5,682,000) is denominated in RMB and interest-bearing at 9.5% per annum with no fixed term of repayment.

Save as disclosed above, the Group had no other borrowings as at 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had no capital commitments (2009: HK$28,085,000).

CHARGE OF ASSETS

The Group did not have any pledge or charge on assets as at 31 December 2010.

LITIGATIONS

Details of litigations are shown in note 46 to the financial statements.

EXCHANGE RATE EXPOSURE

During the year under review, the business activities of the Group were mainly denominated in Hong Kong dollars and RMB. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. For the year ended 31 December 2010, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group had about 303 employees (2009: 298 employees) of whom 9 (2009: 9) are based in Hong Kong and 294 (2009: 289) based in the PRC and overseas. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice. The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He, aged 47, has been the Chairman and an executive director of the Company since October 2003. Mr. Zhou acted as the Managing Director of the Company from 2003 to 2005. He is also currently the president of Junefield (Holdings) Limited ("JHL"), the ultimate holding company of the Group, and is responsible for the overall business of JHL. Mr. Zhou serves as a member of the Beijing Committee of the People's Political Consultative Conference (中國人民政治協商會議北京委員會) in the People's Republic of China (the "PRC"). Mr. Zhou has over 14 years of experience in managing property development companies and in operating department stores in the PRC. Mr. Zhou also acts as a director of certain subsidiaries of the Company.

Mr. Ng Man Chung, Siman, aged 47, has been an executive director of the Company since March 2007 and is currently the deputy chairman of the Company. He is also currently a vice-general manager of Finance Department of JHL. Mr. Ng has more than 23 years of experience in finance and auditing. He has been the proprietor of M. C. Ng & Co. CPA since 1997 and a director of Elite Partners CPA Limited since 2007. Mr. Ng is a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, and a fellow member of The Taxation Institute of Hong Kong. Mr. Ng holds a Diploma in Business Administration from Shue Yan College and a Master of Business Administration Degree from The Open University of Hong Kong. Mr. Ng also acts as a director of certain subsidiaries of the Company.

Mr. Liu Zhongsheng, aged 52, has been an executive director of the Company since March 2007 and is currently the chief executive officer of the Company. He is also currently a vice-president of JHL. Mr. Liu was a deputy secretary of Economic Affairs Department, the Liaison Office of the Central People's Government in Hong Kong (formerly known as Xinhua News Agency Hong Kong Branch). Mr. Liu was an executive director and the general manager of Guangnan (Holdings) Limited until 1 December 2000 and an Investment Advisor of Springridge Investment Management Limited. He holds a Degree in Economic and a Master's Degree in Economics from Lanzhou University, the PRC, and completed an EMBA programme and obtained a Master's Degree in EMBA from Tsinghua University, the PRC, in 2006. Mr. Liu also acts as a director of certain subsidiaries of the Company.

Mr. Zhang Xiaobing, aged 55, has been an executive director of the Company since February 2004. Mr. Zhang has been the general manager of Investment & Business Development Division of JHL since 2004. Mr. Zhang has more than 15 years of overseas work experience in international finance, investment and trade, and has accumulated over 30 years of experience in finance and investment in diverse Chinese industries. He had been a full member of Singapore Institute of Management for many years. Mr. Zhang finished his university education with a Bachelor's Degree in the PRC. Afterwards, he obtained professional training in international banking and finance in the City of London, United Kingdom, and completed the Advanced Management Program: The International Senior Managers' Program at Harvard Business School, Boston, United States of America. Mr. Zhang also acts as a director of certain subsidiaries of the Company.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit, aged 57, has been an independent non-executive director of the Company since December 2002 and is a member of the audit committee and the chairman of the remuneration committee of the Company. Mr. Leung has over 29 years of experience in project finance and corporate finance. He is currently an independent non-executive director and a member of audit committee of NetEase, which is a NASDAQ listed company. Mr. Leung is also an independent non-executive director of China Ting Group Holdings Limited, Anhui Expressway Company Limited and Orange Sky Golden Harvest Entertainment (Holdings) Limited (previously known as Golden Harvest Entertainment (Holdings) Limited), all of which are companies listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Mr. Leung held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (formerly Crosby Securities (Hong Kong) Limited), Swiss Bank Corporation, Hong Kong Branch and Optima Capital Limited (formerly KE Capital (Hong Kong) Limited). He was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. Leung is also currently a Responsible Officer of VC Group which provides advice on corporate finance under a type 6 licence granted under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Mr. Leung holds a Bachelor’s Degree in Social Sciences from The University of Hong Kong.

Mr. Chan Kwok Wai, aged 52, has been an independent non-executive director of the Company since December 2002 and is the chairman of the audit committee and a member of the remuneration committee of the Company. Mr. Chan has over 31 years of experience in finance and accounting industry. He is a member of the Hong Kong Securities Institute and an associate member of the CPA Australia. Mr. Chan is currently an independent non-executive director of Chinese Estates Holdings Limited, Tern Properties Company Limited, China Investments Holdings Limited, National Electronics Holdings Limited and Far East Consortium International Limited, all being companies listed on the Main Board of the Stock Exchange. He is also currently a director of High Progress Consultants Limited. Mr. Chan holds a Bachelor’s Degree of Business Administration from Monash University, Australia.

Mr. Lam Man Sum, Albert, aged 55, has been an independent non-executive director of the Company since September 2004 and is a member of each of the audit committee and remuneration committee of the Company. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants as well as a member of the Hong Kong Securities Institute, Society of Chinese Accountants and Auditors and Taxation Institute of Hong Kong. Mr. Lam is currently an independent non-executive director of Dragonite International Limited, a company listed on the Main Board of the Stock Exchange. He is currently the shareholder and director of Hopkins CPA Limited. Mr. Lam was the proprietor of Albert Lam & Co. CPA since 1993 to 2007. Mr. Lam holds a Bachelor’s Degree in Arts (Economics) from the University of Manchester, United Kingdom.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of its principal subsidiaries and a jointly-controlled entity are set out in notes 22 and 23 to the financial statements.

RESULTS AND DIVIDENDS

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

An interim dividend of HK1 cent per share for 2010 (2009: Nil), totalling approximately HK$9,998,000 was paid on 14 September 2010. The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2010 (2009: HK1.5 cents), amounting to approximately HK$15,037,000 (2009: HK$14,994,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out on page 133.

REPORT OF THE DIRECTORS

DONATIONS

The Group made donations during the year totalling of approximately HK$2,294,000 (2009: HK$2,386,000).

PRINCIPAL SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

Details of the Company's principal subsidiaries and a jointly-controlled entity are set out in notes 22 and 23 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 38 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 40 to the financial statements and in the consolidated statement of changes in equity on page 36, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company had retained profits of approximately HK$49,910,000 (2009: HK$33,431,000) available for cash distribution and/or distribution in specie.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 134.

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

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

SHARE OPTION SCHEME

The Company has adopted the current share option scheme (the "2009 Share Option Scheme") at a special general meeting of the Company held on 29 June 2009 and terminated the former share option scheme at the same meeting.

During the year, 2,900,000 shares of the Company of HK$0.10 each were issued upon exercise of share options and no share options were granted, forfeited or expired.

The total number of shares available for issue (save for those granted but yet to be exercised) under the 2009 Share Option Scheme is 39,376,796 representing approximately 3.93% of the Company's issued share capital as at the date of this report.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

The principal terms of the 2009 Share Option Scheme are set out in note 39 to the financial statements. During the year under review, details of the movements of the outstanding share options granted under the 2009 Share Option Scheme are as follows:

	Date of grant	Exercisable period	Number of share options: Balance as at 1 January 2010	Granted during the year (Note 2)	Exercised during the year (Note 3)	Balance as at 31 December 2010	Exercise price per share HK$	Weighted average closing price (Note 3) HK$
Directors (Note 1)			42,980,000	–	(2,500,000)	40,480,000	0.229	0.66
Other participants in aggregate	6 July 2009	6 July 2009 – 5 July 2019	17,600,000	–	(400,000)	17,200,000	0.229	0.87
			60,580,000	–	(2,900,000)	57,680,000		

Notes:

1. Movements of the share options granted to the directors of the Company are shown under the section headed "Directors' and Chief Executives' Interests in Securities" of this report.

2. No share options have been granted, forfeited or cancelled during the year ended 31 December 2010.

3. A total of 2,900,000 share options were exercised during the year ended 31 December 2010. The weighted average closing price of the shares immediately before the dates on which the share options were exercised was HK$0.84.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 41% of the total turnover for the year and sales to the largest customer included therein accounted for 11%. Purchases from the Group's five largest suppliers accounted for 61% of the total purchases for the year and purchases from the largest supplier included therein accounted for 25%.

During the year, one of the five largest suppliers is a subsidiary of the minority shareholder of Hunan Taiji Construction Material Company Limited ("Hunan Taiji"), a 60%-owned subsidiary of the Group.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five customers and suppliers.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He *(Chairman)*
Mr. Ng Man Chung, Siman *(Deputy Chairman)*
Mr. Liu Zhongsheng *(Chief Executive Officer)*
Mr. Zhang Xiaobing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit
Mr. Chan Kwok Wai
Mr. Lam Man Sum, Albert

In accordance with the Company's bye-law 87, Mr. Zhou Chu Jian He, Mr. Zhang Xiaobing and Mr. Leung Man Kit shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

REPORT OF THE DIRECTORS

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors of the Company are set out on pages 9 to 10 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensations). Details of directors' remuneration are set out in note 11 to the financial statements.

CONNECTED TRANSACTION

On 17 March 2010, Junefield (Beijing) Property Agency Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Beijing Junefield Real Estate Development Co., Ltd. ("Beijing Junefield") to acquire 5 office units in Beijing, the PRC, at cash consideration of RMB8,517,470 (equivalent to approximately HK$9,678,943). Beijing Junefield is indirectly owned as to 55% by Mr. Zhou Chu Jian He, the chairman and the controlling shareholder of the Company. The transaction constituted a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), details of which are set out in the Company's announcement dated 17 March 2010. The transaction was duly completed on 25 March 2010.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Group during the year ended 31 December 2010 (collectively the "2010 Continuing Connected Transactions") subject to annual review requirements pursuant to the Listing Rules are set out below:

1. On 29 November 2010, Hunan Taiji and Lianyuan Logistics Co., Ltd. ("Lianyuan Logistics") entered into a logistics service agreement for the services of transportation of granulated steel slag for the period commencing from 1 January 2010 to 31 December 2011 (the "Logistics Transaction"). Lianyuan Logistics is a connected person of the Company under the Listing Rules and therefore the Logistics Transaction constituted a continuing connected transaction of the Group, details of which are set out in the Company's circular dated 22 December 2010. The Logistics Transaction and its annual caps were approved by independent shareholders of the Company at a special general meeting held on 11 January 2011.

   During the year ended 31 December 2010, the logistics services fee charged by Lianyuan Logistics amounted to approximately HK$11,407,000 (VAT inclusive) or HK$10,661,000 (VAT exclusive).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Hunan Taiji purchased granulated steel slag from Hualing Steel Co., Ltd. ("Hualing Steel") for its production. During the year under review, the terms for the supply of granulated steel slag were same under the sale and purchase agreement made between Hunan Taiji and Hualing Steel on 26 December 2008. Hualing Steel is a connected person of the Company under the Listing Rules and therefore the transaction of supply of the granulated steel slag constituted a continuing connected transaction of the Group, details of which are set out in the Company's announcement dated 15 October 2010.

   During the year ended 31 December 2010, the purchases amounted to approximately HK$5,397,000 (VAT inclusive) or HK$4,613,000 (VAT exclusive).

3. On 15 October 2010, Hunan Taiji entered with Beijing Junefield Sogo Department Store ("Beijing Junefield Sogo") for paying guarantee fees equivalent to 1% on the outstanding bank loan amount to Beijing Junefield Sogo in return for provisions of guarantees during the guarantee period from 21 January 2009 to 27 December 2015 (the "Loan Guarantee"). Beijing Junefield Sogo is a collective enterprise established under the laws of the PRC and Mr. Zhou Chu Jian He, the chairman and the controlling shareholder of the Company, has control over its operations and financial activities. Therefore, Beijing Junefield Sogo is a connected person of the Company and the Loan Guarantee constituted a continuing connected transaction of the Company. Details of the Loan Guarantee are set out in the Company's announcement dated 15 October 2010.

   For the year ended 31 December 2010, the guarantee fees paid to Beijing Junefield Sogo amounted to approximately HK$1,143,000.

The independent non-executive directors of the Company have reviewed the 2010 Continuing Connected Transactions and confirmed that the 2010 Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Pursuant to Chapter 14A of the Listing Rules, the Company has engaged the auditors of the Company to perform certain agreed-upon procedures on the 2010 Continuing Connection Transactions in accordance with applicable accounting standards adopted for the preparation of the financial statements. The auditors have reported and confirmed to the Board that the 2010 Continuing Connected Transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the pricing policies of the Group; (iii) have been entered into in accordance with the terms of the agreements governing the transaction; and (iv) have not exceeded the cap amounts for the year ended 31 December 2010 as set out in the Company's announcements and circular aforesaid.

The related party transactions or continuing related party transactions (as the case may be) which did not fall under Chapter 14A of the Listing Rules are set out in note 47 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and except for those set out below, no director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year:

Nature of the contract	Name of the parties to the contract	Duration of the contract	Nature of director's interest
Tenancy agreement in respect of an office in Hong Kong	(1) the Company (2) Junefield (Holdings) Limited ("JHL")	(1) 2 years (starting from 1 January 2009 up to 31 December 2010) (2) 2 years (starting from 1 January 2011 to 31 December 2012)	Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2010, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model code") were as follows:

(a) LONG POSITION IN SHARES

Name of director	Number of shares held	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He	697,837,417 (Note)	69.81
Mr. Ng Man Chung, Siman	2,000,000	0.20
Mr. Leung Man Kit	266,000	0.03

Note: These 697,837,417 shares are held by Prime Century Investments Limited ("PCI"), a company wholly-owned by JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(continued)

(b) LONG POSITION IN UNDERLYING SHARES — SHARE OPTIONS

The following directors of the Company have personal interests in options to subscribe for shares of the Company:

			Number of share options				
Name	Date of grant	Exercisable period	Balance as at 1 January 2010	Granted during the year	Exercised during the year	Balance as at 31 December 2010	Exercise price per share (HK$)
Mr. Zhou Chu Jian He	6 July 2009	6 July 2009 – 5 July 2019	9,980,000	–	–	9,980,000	0.229
Mr. Ng Man Chung,Siman	6 July 2009	6 July 2009 – 5 July 2019	8,000,000	–	(2,000,000)	6,000,000	0.229
Mr. Liu Zhongsheng	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	–	5,000,000	0.229
Mr. Zhang Xiaobing	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	–	5,000,000	0.229
Mr. Leung Man Kit	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	(500,000)	4,500,000	0.229
Mr. Chan Kwok Wai	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	–	5,000,000	0.229
Mr. Lam Man Sum,Albert	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	–	5,000,000	0.229
			42,980,000	–	(2,500,000)	40,480,000	

Note: The cash consideration paid by each of the directors for the grant of share option is HK$1.

Save as disclosed above, as at 31 December 2010, so far as is known to the directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2010, so far as is known to the directors and the chief executives of the Company, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
PCI (Note)	Directly beneficially owned	697,837,417	69.81
JHL (Note)	Through a controlled corporation	697,837,417	69.81

Note: These 697,837,417 shares are held by PCI, a company wholly-owned by JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

Save as disclosed above, as at 31 December 2010, the Company had not been notified of any person (other than the directors or chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, during the year ended 31 December 2010, the following director of the Company was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Mr. Zhou Chu Jian He, the chairman and the substantial shareholder of the Company, currently engages in businesses including property management and agency services, properties investment and consultancy services for retail business through a number of private companies (collectively the "Private Group").

In the event that there are transactions between the Private Group and the Company, Mr. Zhou Chu Jian He, as and when required under the Company's bye-laws, will abstain from voting on any board resolution in respect of any contract, arrangement, or proposal in which he or any of his associates has a material interest.

As the Board is independent from the board of directors of the Private Group and maintains three independent non-executive directors, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of the Private Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, at least 25% of the total issued share capital of the Company was held by the public as required under the Listing Rules.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out on pages 22 to 28 of this report.

AUDITORS

The financial statements have been audited by Messrs. HLB Hodgson Impey Cheng who retire and, being eligible offer themselves for re-appointment at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ng Man Chung, Siman
Director

Hong Kong, 29 March 2011

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standard of corporate governance practices. The Company has adopted all the code provisions (the "Code Provisions") as stated in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rule") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the year under review, the Company has complied with all the Code Provisions except for the deviation in respect of the communication with shareholders under code provision E.1.2 of the CG Code.

Under the code provision E.1.2. on the CG Code, the chairman of the board should attend the annual general meeting. Mr. Zhou Chu Jian He, the chairman of the board of the Company (the "Board"), did not attend the annual general meeting of the Company held on 25 May 2010 due to other business engagement. Other directors of the Company (the "Directors"), including the chairman of the Audit Committee and the chairman of the Remuneration Committee, were present at the said annual general meeting to answer the shareholders' questions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the Directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the Model Code and all Directors confirmed that they have complied with the Model Code for the year ended 31 December 2010.

BOARD COMPOSITION

The Board comprises seven Directors, of which four are Executive Directors including Mr. Zhou Chu Jian He (Chairman), Mr. Ng Man Chung, Siman (Deputy Chairman), Mr. Liu Zhongsheng (Chief Executive Officer) and Mr. Zhang Xiaobing; and three are Independent Non-Executive Directors including Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert. The Board has a balance of skill and experience in composition of executive and independent non-executive directors. Most of the Independent Non-Executive Directors possess appropriate professional qualification and/or experience in accounting and/or related financial management expertise. Throughout the year ended 31 December 2010, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules.

The brief biographical details of each Director are set out on pages 9 to 10 of this annual report. Save as disclosed above, there are no other relationship (including financial, business, family or other material or relevant relationships) among members of the Board and also between the chairman and the chief executive officer.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The regular Board meetings are scheduled to be held at least four times a year at approximately quarterly intervals and additional meetings are held as and when the Board thinks appropriate. Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of directors. During the year, the Board has held four regular Board meetings at about quarterly intervals and one additional meeting concerning special matters requiring Board's decision. Attendance of each individual Director at the Board meetings in the year 2010 is set out below:

	Attendance	
	Regular Board meetings	**Additional Board meetings**
Executive Directors		
Mr. Zhou Chu Jian He *(Chairman)*	3/4	0/1
Mr. Ng Man Chung, Siman *(Deputy Chairman)*	4/4	1/1
Mr. Liu Zhongsheng *(Chief Executive Officer)*	4/4	1/1
Mr. Zhang Xiaobing	3/4	0/1
Independent Non-Executive Directors		
Mr. Leung Man Kit	4/4	1/1
Mr. Chan Kwok Wai	4/4	1/1
Mr. Lam Man Sum, Albert	3/4	0/1

Notice of at least 14 days is given to all Directors in advance for regular Board meetings. For other Board meetings, reasonable notice period is given. Meeting agendas and other relevant information are normally provided to the Directors at least 3 days in advance of the Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Minutes of Board meetings are recorded in sufficient detail the matters considered by the Board and are kept by the company secretary. Both draft and final versions of the minutes are sent to all Directors for their comments and records. Directors have access to the company secretary who is responsible to the Board for ensuring that Board meeting procedures are followed.

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITY

On top of the regulatory and statutory responsibilities, the main duties of the Board include formulating strategy as well as monitoring and controlling operating and financial performance of the Group. The Board is also responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. All Directors (including Independent Non-Executive Directors) have been consulted on major and material matters of the Company and have made active contribution to the affairs of the Board. All Directors are aware of their collective and individual responsibilities to the shareholders of the Company and are committed to act in good faith and make decisions in the best interests of both the Group and the shareholders of the Company.

The Board delegates day-to-day management of the businesses of the Group to the chief executive officer and the management of the relevant principal divisions. Audit Committee and Remuneration Committee are set up to assist the Board in discharge of its duties and to oversee particular aspects of the Group's affairs. Both Committees have specific functions and authority to examine issues and report to the Board with their recommendations. The final decisions are rested with the Board, unless otherwise provided in terms of reference of the relevant Committees.

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the finance department of the Company, to prepare the consolidated financial statements of the Group for the year ended 31 December 2010 that give a true and fair view of the state of affairs of the Group and ensure that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards. 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 consolidated financial statements on a going concern basis. The statement of the Auditors of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditors' Report on pages 29 to 30 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the chairman of the board and the chief executive officer are segregated and are not exercised by the same individual. Mr. Zhou Chu Jian He is the Chairman and is responsible for the leadership and the effective operation of the Board. Mr. Liu Zhongsheng is the Chief Executive Officer and is responsible for the management of the Group's businesses in all aspects effectively, the implementation of the strategies approved by the Board and assuming full accountability to the Board for the operations of the Group.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent Non-Executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company. Each of the Independent Non-Executive Directors has been appointed for a term of two years and subject to retirement by rotation at the annual general meeting and being eligible offer themselves for re-election.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors met the independent guideline as set out in Rule 3.13 of the Listing Rules and are independent. The Independent Non-Executive Directors are explicitly identified in all of the Company's corporate communications.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has not established a nomination committee and the role and function of this committee are performed by the Board. The Directors will select proposed new Directors based on their skills, experience and who, in the opinion of the Directors, are able to make a positive contribution to the performance of the Board. The Board also reviews its composition to ensure that the Board has a balance of knowledge and experience appropriate for the requirements of the businesses of the Company.

In accordance with the bye-laws of the Company, at each annual general meeting one-third of the Directors for the time (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors shall have the power to appoint any person as a director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined by the members in that general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. There were no changes of Directors during the year.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 15 July 2005. The Remuneration Committee comprises three Independent Non-Executive Directors, namely, Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert. Mr. Leung Man Kit is the chairman of the Remuneration Committee.

The principle responsibility of the Remuneration Committee includes making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board.

The remuneration of Directors are based on the skill and contribution in the Company's affairs and are determined by reference to duties and responsibilities of the Executive Directors after considering the Group's performance and the prevailing market situations including salaries paid by comparable companies. No Director is involved in determining his own remuneration. Terms of reference of the Remuneration Committee are available at the Company's website.

During the year 2010, the Remuneration Committee held one meeting.

Members of Remuneration Committee	Attendance
Mr. Leung Man Kit *(Chairman)*	1/1
Mr. Chan Kwok Wai	1/1
Mr. Lam Man Sum, Albert	1/1

During the year, the Remuneration Committee performed its duties in accordance with its terms of reference and reviewed the remuneration packages of the Directors and employees of the Company and made recommendations on remuneration policies to the Board.

The remuneration paid to each Director for the year 2010 are shown in note 11 to the financial statements.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The external auditors of the Company are HLB Hodgson Impey Cheng and provided services to the Company in respect of the audit of Company's financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards and applicable disclosure requirements of the Hong Kong Companies Ordinance for the year ended 31 December 2010.

The fee in respect of audit service provided by the external auditors to the Company for the year ended 31 December 2010 was approximately HK$584,000 (2009: HK$1,275,000). The fees paid to the external auditors for non-audit services were HK$128,000 (2009: HK$120,000).

AUDIT COMMITTEE

The Audit Committee was established on 10 November 1999 with written terms of reference. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Leung Man Kit and Mr. Lam Man Sum, Albert, and is chaired by Mr. Chan Kwok Wai. Most members of the Audit Committee possess appropriate professional qualifications and/or experience in accounting and/or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company has complied with Rule 3.21 of the Listing Rules.

The revised written terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings in the year 2010 with 100% attendance of its members:

Members of the Audit Committee	Attendance
Mr. Chan Kwok Wai *(Chairman)*	3/3
Mr. Leung Man Kit	3/3
Mr. Lam Man Sum, Albert	3/3

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (continued)

During the year, the Audit Committee performed its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

— review of the financial reports for the six-months ended 30 June 2010 and for the year ended 31 December 2010;

— review and approve the remuneration and terms of engagement of the external auditors for the year 2010;

— review of the effectiveness of the internal control system;

— review, comment and provide recommendations on the internal control report;

— review and comment on the financial position of the Group; and

— review and comment on the continuing connected transactions and their caps.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining an adequate internal control system to safeguard the assets of the Group and the interests of shareholders. Annual review on the effectiveness of the internal control system of the Group (which excludes the 49% jointly-controlled entity, Wuhan Plaza Management Co., Ltd.) has been conducted by the management and partially by an external independent professional firm and reviewed by the Board. The Audit Committee has made recommendations to the Board and is satisfied that nothing has come to its attention to cause the Audit Committee to believe that the internal control system is inadequate. Periodic review will be made to monitor the effectiveness of the internal control system of the Group.

INVESTOR RELATIONS

The Directors are aware of the importance of maintaining good relations and communications with shareholders of the Company. The Company continues to promote and enhance investor relations and communication with its investors. The Company uses a range of communication tools, such as annual general meetings, annual and interim reports, various notices, announcements and circulars etc, to ensure its shareholders are kept informed of the Company's information.

The Company has maintained a website at http://junefield.etnet.com.hk, which serves as a platform for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are displayed (for documents published in the previous 5 years) on the Company's website, which has established procedures to ensure timely update in compliance with the Listing Rules.

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Junefield Department Store Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY (continued)

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' judgement, 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 of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 29 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
REVENUE	8	**213,070**	120,006
Cost of sales and services		**(129,652)**	(63,571)
Gross profit		**83,418**	56,435
Other income	8	**3,750**	1,519
Selling and distribution expenses		**(1,394)**	(710)
Administrative expenses		**(22,331)**	(23,854)
Other operating expenses		**(26,859)**	(23,787)
Excess over the cost of a business combination recognised in the income statement	41(a)	**–**	17,662
Fair value gains/(losses) on investment properties	18	**5,382**	(1,396)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss — held for trading		**3,371**	(3,457)
OPERATING PROFIT	9	**45,337**	22,412
Finance costs	10	**(7,943)**	(3,180)
Gain on disposal of subsidiaries	42	**165**	18,454
Share of profit of a jointly-controlled entity	23	**96,980**	86,093
PROFIT BEFORE TAX		**134,539**	123,779
Income tax expense	13	**(15,013)**	(9,911)
PROFIT FOR THE YEAR		**119,526**	113,868
Attributable to:			
Owners of the Company		**104,903**	108,692
Non-controlling interests		**14,623**	5,176
		119,526	113,868
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	16		
Basic		**10.49 cents**	13.91 cents
Diluted		**10.21 cents**	13.66 cents

Details of the dividend proposed for the year are disclosed in note 14 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**119,526**	113,868
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**5,708**	961
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**5,708**	961
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**125,234**	114,829
Attributable to:		
Owners of the Company	**108,311**	109,210
Non-controlling interests	**16,923**	5,619
	125,234	114,829

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**236,494**	202,250
Investment properties	18	**30,645**	16,988
Prepaid land lease payments	19	**23,977**	553
Other intangible asset	20	**151,220**	159,677
Deposit for acquisition of land use rights	21	**—**	9,625
Investment in a jointly-controlled entity	23	**83,554**	82,104
Available-for-sale investment	24	**—**	—
Total non-current assets		**525,890**	471,197
CURRENT ASSETS			
Inventories	25	**4,080**	2,292
Properties held for sale	26	**20,898**	20,898
Accounts receivable	27	**5,930**	14,684
Prepayments, deposits and other receivables	28	**11,883**	9,671
Amount due from a jointly-controlled entity	23	**6,726**	5,112
Amount due from a joint venturer	29	**2,445**	400
Amounts due from related companies	30	**9,238**	2,459
Equity investments at fair value through profit or loss	32	**20,698**	10,763
Tax recoverable		**—**	537
Time deposits	33	**76,157**	9,010
Cash and bank balances	33	**48,669**	82,736
Total current assets		**206,724**	158,562
CURRENT LIABILITIES			
Accounts payable	34	**9,314**	6,371
Other payables and accruals	35	**82,722**	56,868
Amount due to the ultimate holding company	31	**31**	450
Amounts due to related companies	31	**2,997**	5,131
Tax payable		**2,827**	2,652
Interest-bearing bank and other borrowings	36	**34,952**	34,206
Total current liabilities		**132,843**	105,678

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Net current assets		**73,881**	52,884
TOTAL ASSETS LESS CURRENT LIABILITIES		**599,771**	524,081
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	36	**58,139**	85,274
Deferred tax liabilities	37	**52,756**	50,836
Total non-current liabilities		**110,895**	136,110
Net assets		**488,876**	387,971
EQUITY			
Equity attributable to owners of the Company			
Issued capital	38	**100,247**	99,957
Reserves	40	**276,093**	192,401
		376,340	292,358
Non-controlling interests		**112,536**	95,613
Total equity		**488,876**	387,971

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

Ng Man Chung, Siman
Director

Liu Zhongsheng
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**96**	107
Investments in subsidiaries	22	**2,016**	2,016
Total non-current assets		**2,112**	2,123
CURRENT ASSETS			
Accounts receivable	27	**—**	13,500
Prepayments, deposits and other receivables	28	**1,841**	2,502
Dividend receivable from a subsidiary		**—**	30,190
Amounts due from subsidiaries	22	**180,564**	161,638
Equity investments at fair value through profit or loss	32	**7,299**	10,763
Tax recoverable		**—**	537
Time deposits	33	**42,004**	—
Cash and bank balances	33	**3,649**	98
Total current assets		**235,357**	219,228
CURRENT LIABILITIES			
Other payables and accruals	35	**5,860**	5,234
Amounts due to subsidiaries	22	**386**	—
Amount due to the ultimate holding company	31	**31**	26
Amount due to a related company	31	**407**	2,650
Tax payable		**—**	—
Interest-bearing other borrowings	36	**5,882**	5,682
Total current liabilities		**12,566**	13,592
Net current assets		**222,791**	205,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**224,903**	207,759
Net assets		**224,903**	207,759
EQUITY			
Equity attributable to owners of the Company			
Issued capital	38	**100,247**	99,957
Reserves	40	**124,656**	107,802
Total equity		**224,903**	207,759

Ng Man Chung, Siman	**Liu Zhongsheng**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

		Attributable to owners of the Company											
	Note	Issued capital HK$'000 (note 38)	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Statutory surplus reserve HK$'000 (note 40)	Share option reserve HK$'000 (note 40)	Exchange fluctuation reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009		42,193	42,424	230	19,465	–	–	(2,460)	(10,945)	–	90,907	–	90,907
Comprehensive income													
Profit or loss		–	–	–	–	–	–	–	108,692	–	108,692	5,176	113,868
Other comprehensive income													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	518	–	–	518	443	961
Total comprehensive income for the year		–	–	–	–	–	–	518	108,692	–	109,210	5,619	114,829
Acquisition of subsidiaries	41(a)	–	–	–	–	–	–	–	–	–	–	89,994	89,994
Issue of shares	38	57,764	25,666	–	–	–	–	–	–	–	83,430	–	83,430
Share issue expenses	38	–	(1,350)	–	–	–	–	–	–	–	(1,350)	–	(1,350)
Disposal of subsidiaries	42	–	–	–	(295)	–	–	2,530	295	–	2,530	–	2,530
Equity-settled share option arrangements	39	–	–	–	–	–	7,631	–	–	–	7,631	–	7,631
Transfer to retained profits		–	–	(230)	–	–	–	–	230	–	–	–	–
Proposed final 2009 dividend	14	–	–	–	–	–	–	–	(14,994)	14,994	–	–	–
Transfer from retained profits		–	–	–	–	1,916	–	–	(1,916)	–	–	–	–
At 31 December 2009		99,957	66,740	–	19,170	1,916	7,631	588	81,362	14,994	292,358	95,613	387,971
At 1 January 2010		99,957	66,740	–	19,170	1,916	7,631	588	81,362	14,994	292,358	95,613	387,971
Comprehensive income													
Profit or loss		–	–	–	–	–	–	–	104,903	–	104,903	14,623	119,526
Other comprehensive income													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	3,408	–	–	3,408	2,300	5,708
Total comprehensive income for the year		–	–	–	–	–	–	3,408	104,903	–	108,311	16,923	125,234
Issue of shares upon exercise of share options	38	290	740	–	–	–	(365)	–	–	–	665	–	665
Final 2009 dividend paid	14	–	–	–	–	–	–	–	–	(14,996)	(14,996)	–	(14,996)
Interim 2010 dividend paid	14	–	–	–	–	–	–	–	(9,998)	–	(9,998)	–	(9,998)
Proposed final 2010 dividend	14	–	–	–	–	–	–	–	(15,037)	15,037	–	–	–
Transfer from retained profits		–	–	–	–	3,918	–	–	(3,920)	2	–	–	–
At 31 December 2010		**100,247**	**67,480**	**–**	**19,170**	**5,834**	**7,266**	**3,996**	**157,310**	**15,037**	**376,340**	**112,536**	**488,876**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**134,539**	123,779
Adjustments for:			
Finance costs	10	**7,943**	3,180
Share of profit of a jointly-controlled entity	23	**(96,980)**	(86,093)
Bank interest income	8	**(465)**	(287)
Reversal of impairment of accounts receivable	8	**(112)**	(442)
Reversal of impairment of amount due from a joint venturer	8	**(1,735)**	—
Loss/(gain) on disposal of property, plant and equipment	8, 9	**701**	(26)
Excess over the cost of a business combination recognised in the income statement	41(a)	**—**	(17,662)
Gain on disposal of subsidiaries	42	**(165)**	(18,454)
Fair value (gains)/losses, net:			
Equity investments at fair value through profit or loss — held for trading		**(3,371)**	3,457
Depreciation of property, plant and equipment	9	**18,782**	6,586
Amortisation of prepaid land lease payments	19	**383**	30
Amortisation of other intangible asset	20	**11,779**	6,802
Changes in fair value of investment properties	18	**(5,382)**	1,396
Impairment of other receivables	9	**—**	771
Equity-settled share option expenses		**—**	7,631
		65,917	30,668
(Increase)/decrease in inventories		**(1,788)**	529
Increase in equity investments at fair value through profit or loss		**(6,564)**	(14,220)
Increase in properties held for sale		**—**	(20,898)
Decrease/(increase) in accounts receivable		**8,866**	(11,495)
Increase in prepayments, deposits and other receivables		**(2,207)**	(5,080)
Increase in amount due from a jointly-controlled entity		**(1,614)**	(700)
Increase in amount due from a joint venturer		**(310)**	(323)
Increase in amounts due from related companies		**(6,643)**	(1,518)
Increase in accounts payable		**2,943**	1,641
Increase/(decrease) in other payables and accruals		**14,796**	(3,113)
(Decrease)/increase in amounts due to related companies		**(2,134)**	7,521
Net cash flows generated from/(used in) operations		**71,262**	(16,988)
Bank interest received		**465**	287
Hong Kong profits tax refunded		**716**	—
Hong Kong profits tax paid		**(179)**	(1,197)
Overseas tax paid		**(6,325)**	(7,995)
Net cash flows generated from/(used in) operating activities		**65,939**	(25,893)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a jointly-controlled entity	43	**88,083**	153,466
Purchases of items of property, plant and equipment		**(50,443)**	(41,012)
Purchases of investment properties		**(10,074)**	(1,398)
Deposits paid for acquisition of land use rights		**—**	(1,510)
Payment for prepaid land lease payments		**(1,360)**	—
Proceeds from disposal of property, plant and equipment		**1,691**	—
Receipt of held-to-maturity investments		**—**	1,687
Acquisition of subsidiaries	41	**—**	15,801
Disposal of subsidiaries	42	**(4)**	(9)
Increase in short-term time deposits		**(67,147)**	(6,721)
Net cash flows (used in)/generated from investing activities		**(39,254)**	120,304
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	38	**665**	21,097
Share issue expenses		**—**	(1,350)
Repayment of amount due to the ultimate holding company		**(373)**	(8,984)
Dividends paid		**(24,994)**	—
Repayment of interest-bearing borrowings		**(28,681)**	(23,000)
Interest paid		**(7,943)**	(3,180)
Net cash used in financing activities		**(61,326)**	(15,417)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(34,641)**	78,994
Cash and cash equivalents at beginning of year		**82,736**	3,375
Effect of foreign exchange rate changes, net		**574**	367
CASH AND CASH EQUIVALENTS AT END OF YEAR		**48,669**	82,736
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	33	**48,669**	82,736

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Junefield Department Store Group Limited (the "Company") is incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section on page 2 of the annual report.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property investment;
- provision of property management and agency services;
- provision of brand sourcing consultancy and property management consultancy services for the retail business in the People's Republic of China (the "PRC");
- manufacture and sale of construction materials; and
- trading of coal.

In the opinion of the directors, the immediate holding company of the Company is Prime Century Investments Limited ("PCI"), a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Junefield (Holdings) Limited ("JHL"), a company incorporated in Hong Kong.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

— Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

— Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interests had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

— Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations-Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements - Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

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

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

(i) HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(ii) HKAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) (continued)

(ii) (continued)

Amendment to HK Interpretation 4 *Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in the PRC, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in the PRC remained as operating leases.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In particular, (i) the employee benefits expense, depreciation of property, plant and equipment, amortisation of prepaid land lease payments and amortisation of other intangible asset, which were previously presented on the face of the consolidated income statement, have been reclassified and included in "Selling and distribution expenses", "Administrative expenses" and "Other operating expenses" as appropriate in the consolidated income statement; and (ii) the fair value gains/(losses) on investment properties and the fair value gains/(losses), net in respect of equity investments at fair value through profit or loss - held for trading, which were previously included in "Other operating expenses" in the consolidated income statement, have been reclassified and presented on the face of the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporate in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

JOINT VENTURES

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINTLY-CONTROLLED ENTITIES

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

GOODWILL

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOODWILL (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

EXCESS OVER THE COST OF BUSINESS COMBINATIONS

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Freehold land	Not depreciated
Buildings	20 to 30 years
Leasehold improvements	The shorter of the lease terms and 6 years
Plant and machinery	4 to 12 years
Office equipment	5 years
Motor vehicles	3 to 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement. For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables and financial assets at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. Gains or losses on investments held for trading are recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the ultimate holding company and related companies, and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loan and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL LIABILITIES

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

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land and buildings and other indirect costs attributable to such properties. Net realisable value is based on estimated selling prices less any estimated selling expenses.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the report period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, 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;

(b) from the rendering of property management and agency services, and consultancy services, when such services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENT TRANSACTIONS (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RETIREMENT BENEFITS

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

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO THE FINANCIAL STATEMENTS

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3. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period are as follows:

	Financial assets at fair value through profit or loss -held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
2010			
Accounts receivable	**—**	**5,930**	**5,930**
Financial assets included in prepayments, deposits and other receivables	**—**	**4,723**	**4,723**
Amount due from a jointly-controlled entity	**—**	**6,726**	**6,726**
Amount due from a joint venturer	**—**	**2,445**	**2,445**
Amounts due from related companies	**—**	**9,238**	**9,238**
Equity investments at fair value through profit or loss	**20,698**	**—**	**20,698**
Time deposits	**—**	**76,157**	**76,157**
Cash and bank balances	**—**	**48,669**	**48,669**
	20,698	**153,888**	**174,586**
2009			
Accounts receivable	—	14,684	14,684
Financial assets included in prepayments, deposits and other receivables	—	778	778
Amount due from a jointly-controlled entity	—	5,112	5,112
Amount due from a joint venturer	—	400	400
Amounts due from related companies	—	2,459	2,459
Equity investments at fair value through profit or loss	10,763	—	10,763
Time deposits	—	9,010	9,010
Cash and bank balances	—	82,736	82,736
	10,763	115,179	125,942

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3. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Financial liabilities at amortised cost 2010 HK$'000	Financial liabilities at amortised cost 2009 HK$'000
Accounts payable	**9,314**	6,371
Financial liabilities included in other payables and accruals	**63,735**	45,033
Amount due to the ultimate holding company	**31**	450
Amounts due to related companies	**2,997**	5,131
Interest-bearing bank and other borrowings	**93,091**	119,480
	169,168	176,465

NOTES TO THE FINANCIAL STATEMENTS

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4. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009 and 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2010				
Equity investments at fair value through profit or loss	**20,698**	**–**	**–**	**20,698**
As at 31 December 2009				
Equity investment at fair value through profit or loss	10,763	–	–	10,763

During the years ended 31 December 2010 and 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

INTEREST RATE RISK

The Group's cash flow interest rate risk relates primarily to bank borrowings with a floating interest rate, further details of these borrowings are set out in note 36 to the financial statements. The Group currently does not hedge its exposure to interest rate risks. However, the management monitors the interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in equity* HK$'000
2010			
Renminbi	**100**	**(6,284)**	**—**
Renminbi	**(100)**	**6,284**	**—**
2009			
Renminbi	100	(1,195)	—
Renminbi	(100)	1,195	—

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group's major operations and businesses are located in the PRC and substantially all transactions of these business are conducted in Renminbi ("RMB"). All the assets and liabilities of these businesses are denominated in RMB.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in RMB %	**Increase/ (decrease) in profit after tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2010			
If Hong Kong dollar weakens against RMB	**(5)**	**6,803**	**14,222**
If Hong Kong dollar strengthens against RMB	**5**	**(6,453)**	**(13,528)**
2009			
If Hong Kong dollar weakens against RMB	(5)	4,420	13,757
If Hong Kong dollar strengthens against RMB	5	(4,911)	(13,093)

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, the Group reviews regularly the recoverable amount of each individual accounts receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amount due from a jointly-controlled entity, amount due from a joint venturer, other receivables and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group has certain concentrations of credit risk as 32% (2009: 90%) and 62% (2009: 98%) of the Group's accounts receivable were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 27 to the financial statements.

LIQUIDITY RISK

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

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

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

LIQUIDITY RISK (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand or less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2010				
Accounts payable	**9,314**	**—**	**—**	**9,314**
Other payables and accruals	**63,735**	**—**	**—**	**63,735**
Amount due to the ultimate holding company	**31**	**—**	**—**	**31**
Amounts due to related companies	**2,997**	**—**	**—**	**2,997**
Interest-bearing bank and other borrowings	**14,624**	**25,564**	**62,652**	**102,840**
	90,701	**25,564**	**62,652**	**178,917**
2009				
Accounts payable	6,371	—	—	6,371
Other payables and accruals	45,033	—	—	45,033
Amount due to the ultimate holding company	450	—	—	450
Amounts due to related companies	5,131	—	—	5,131
Interest-bearing bank and other borrowings	14,761	26,499	94,935	136,195
	71,746	26,499	94,935	193,180

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments as at 31 December 2010 and 2009. The Group's listed investments listed on the Stock Exchange and the TSX Venture Exchange of Canada are valued at quoted market prices at the end of the reporting period.

The market equity indices for the Stock Exchange and the TSX Venture Exchange of Canada, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Stock Exchange				
— Hang Seng Index	**23,035**	**24,989/ 18,972**	21,872	22,944/ 11,345
TSX Venture Exchange of Canada				
— S&P/TSX Venture Composite Index	**2,288**	**2,288/ 1,348**	1,521	1,521/ 814

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK (continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2010			
Investments listed in:			
Hong Kong — Held-for-trading	**7,299**	**730/ (730)**	**–**
Elsewhere — Held-for-trading	**13,399**	**1,340/ (1,340)**	**–**
2009			
Investments listed in:			
Hong Kong — Held-for-trading	10,763	1,076/ (1,076)	— / —

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to enhance the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

The Group monitors capital using the debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt is calculated as total borrowings (including amount due to the ultimate holding company, amounts due to related companies, interest-bearing bank and other borrowings) less cash and bank balances. Adjusted capital comprises all components of equity (including issued capital, reserves, retained profits and non-controlling interests).

The debts-to-adjusted capital ratios at 31 December 2010 and 2009 were as follows:

	2010 **HK$'000**	2009 HK$'000
Total borrowings	**96,119**	125,061
Less: Cash and bank balances	**(48,669)**	(82,736)
Net debt	**47,450**	42,325
Adjusted capital	**488,876**	387,971
Debt-to-adjusted capital ratio	**10%**	11%

NOTES TO THE FINANCIAL STATEMENTS

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6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the deprecation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2010 was approximately HK$236,494,000 (2009: HK$202,250,000). Further details are included in note 17 to the financial statements.

ESTIMATED IMPAIRMENT OF RECEIVABLES

The Group records impairment of receivables based on an assessment of the recoverability of accounts receivable and other receivables. Provisions are applied to accounts receivable and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable and other receivables and impairment charges in the period in which such estimate has been changed. The amount of accounts receivable at 31 December 2010 was approximately HK$5,930,000 (2009: HK$14,684,000). Further details are included in note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties of the Group are stated at fair value in accordance with the accounting policy stated in note 2.4. The fair value of investment properties at 31 December 2010 was approximately HK$30,645,000 (2009: HK$16,988,000). The fair value of investment properties, set out in note 18 to the financial statements, are determined by an independent professional qualified valuer. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the end of the reporting period. These estimates are regularly compared to actual market data and actual transactions in the market.

IMPAIRMENT OF INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

At the end of the reporting period, management reconsidered the recoverability of the intangible asset arising from the acquisition of subsidiaries, in which the carrying amount at 31 December 2010 is approximately HK$151,220,000 (2009: HK$159,677,000). The businesses of the related subsidiaries continue to progress in a satisfactory manner. Sensitivity analysis has been carried out by management and no impairment is considered necessary at 31 December 2010. Adjustment will be made in future periods if future market activities indicate that adjustments for impairment are appropriate. Further details are included in note 20 to the financial statements.

INCOME TAXES

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE FINANCIAL STATEMENTS

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7. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

(a) the property investment segment engages in property leasing and sale of properties;

(b) the property management and agency services segment provides property management and agency services;

(c) the consultancy services segment provides brand sourcing consultancy and property management consultancy services for retail business in the PRC;

(d) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder;

(e) the trading of coal segment engages in the trading of coal; and

(f) the others segment comprises, principally, the Group's leasing of machinery business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except interest income, unallocated finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, equity investments at fair value through profit or loss, the amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, deferred tax liabilities, the amounts due to related companies and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

NOTES TO THE FINANCIAL STATEMENTS

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7. OPERATING SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2010 and 2009.

Group

Year ended 31 December 2010

	Property investment HK$'000	Property management and agency services HK$'000	Consultancy services HK$'000	Trading of coal HK$'000	Manufacture and sale of construction materials HK$'000	Others HK$'000	Total HK$'000
Segment revenue:							
Sales to/revenue from external customers	2,240	15,915	–	24,385	169,873	657	213,070
Segment results	4,035	2,678	(60)	569	39,267	(673)	45,816
Bank interest income and other unallocated income							2,579
Fair value gain, net:							
Equity investments at fair value through profit or loss — held for trading							3,371
Corporate and other unallocated expenses							(13,827)
Unallocated finance costs							(545)
Gain on disposal of subsidiaries							165
Share of profit of a jointly-controlled entity							96,980
Profit before tax							134,539
Income tax expense							(15,013)
Profit for the year							119,526

NOTES TO THE FINANCIAL STATEMENTS

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7. OPERATING SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

Group

Year ended 31 December 2010

	Property investment HK$'000	Property management and agency services HK$'000	Consultancy services HK$'000	Trading of coal HK$'000	Manufacture and sale of construction materials HK$'000	Others HK$'000	Total HK$'000
Assets and liabilities:							
Segment assets	65,273	25,135	–	3,295	465,851	20,345	579,899
Corporate and other unallocated assets							69,161
Investment in a jointly-controlled entity							83,554
Total assets							732,614
Segment liabilities	23,776	19,643	–	563	182,494	290	226,766
Corporate and other unallocated liabilities							16,972
Total liabilities							243,738
Other segment information:							
Depreciation and amortisation	229	353	–	–	29,671	660	30,913
Corporate and other unallocated amounts							31
							30,944
Finance costs	–	–	–	–	7,398	–	7,398
Corporate and other unallocated amounts							545
							7,943
Fair value gains on investment properties	(5,382)	–	–	–	–	–	(5,382)
Impairment losses reversed in the income statement	–	–	–	–	–	–	–
Corporate and other unallocated amounts							(1,847)
							(1,847)
Additions to non-current assets*	11,906	59	–	–	29,036	19,498	60,499
Corporate and other unallocated amounts							18
							60,517

* Additions to non-current assets consist of additions to property, plant and equipment, other intangible asset and investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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7. OPERATING SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

Group

Year ended 31 December 2009

	Property investment HK$'000	Property management and agency services HK$'000	Consultancy services HK$'000	Manufacture and sale of construction materials HK$'000	Total HK$'000
Segment revenue:					
Sales to/revenue from external customers	26,703	14,835	13,500	64,968	120,006
Segment results	3,357	1,940	7,244	15,709	28,250
Bank interest income and other unallocated income					1,521
Excess over the cost of a business combination recognised in the income statement					17,662
Fair value loss, net:					
Equity investments at fair value through profit or loss — held for trading					(3,457)
Corporate and other unallocated expenses					(22,731)
Unallocated finance costs					(2,013)
Gain on disposal of subsidiaries					18,454
Share of profit of a jointly-controlled entity					86,093
Profit before tax					123,779
Income tax expense					(9,911)
Profit for the year					113,868

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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7. OPERATING SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS (continued)

Group

Year ended 31 December 2009

	Property investment HK$'000	Property management and agency services HK$'000	Consultancy services HK$'000	Manufacture and sale of construction materials HK$'000	Total HK$'000
Assets and liabilities:					
Segment assets	37,886	24,308	16,100	430,190	508,484
Corporate and other unallocated assets					39,171
Investment in a jointly-controlled entity					82,104
Total assets					629,759
Segment liabilities	14,288	22,728	8,031	189,946	234,993
Corporate and other unallocated liabilities					6,795
Total liabilities					241,788
Other segment information:					
Depreciation and amortisation	–	356	–	12,916	13,272
Corporate and other unallocated amounts					146
					13,418
Finance costs	–	–	–	1,167	1,167
Corporate and other unallocated amounts					2,013
					3,180
Fair value losses on investment properties	1,396	–	–	–	1,396
Impairment losses reversed in the income statement	–	–	–	–	–
Corporate and other unallocated amounts					(442)
					(442)
Additions to non-current assets*	1,398	207	109	370,479	372,193
Corporate and other unallocated amounts					180
					372,373

* Additions to non-current assets consist of additions to property, plant and equipment, other intangible asset and investment properties including assets from the acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

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7. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	Group	
	2010	2009
	HK$'000	HK$'000
PRC	**188,028**	120,006
Hong Kong	**24,385**	—
Peru	**657**	—
	213,070	120,006

The revenue information above is based on the location of the customers.

(b) Non-current assets

	Group	
	2010	2009
	HK$'000	HK$'000
PRC	**506,956**	471,088
Hong Kong	**96**	109
Peru	**18,838**	—
	525,890	471,197

The non-current assets information above is based on the location of assets.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of corresponding periods contributing over 10% of total revenue of the Group is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Customer A (Revenue attributable to trading of coal segment)	**24,385**	—
Customer B (Revenue attributable to property investment segment)	**—**	26,341
Customer C (Revenue attributable to consultancy services segment)	**—**	13,500
	24,385	39,841

NOTES TO THE FINANCIAL STATEMENTS

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8. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, consultancy services fee, property management and agency fees, and gross rental income received and receivable from investment properties during the year.

An analysis of revenue and other income is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Revenue		
Sale of construction materials	**169,873**	64,968
Sale of coal	**24,385**	—
Property management and agency fees	**15,915**	14,835
Gross rental income	**2,897**	362
Sale of properties	**—**	26,341
Consultancy services fee	**—**	13,500
	213,070	120,006
Other income		
Bank interest income	**465**	287
Gain on disposal of property, plant and equipment	**—**	26
Interest income on other loans	**879**	—
Reversal of impairment of accounts receivable	**112**	442
Reversal of impairment of amount due from a joint venturer	**1,735**	—
Others	**559**	764
	3,750	1,519

NOTES TO THE FINANCIAL STATEMENTS

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9. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Employee benefits expense			
(excluding directors' remuneration)			
Salaries and wages	(i)	**17,975**	11,347
Equity-settled share option expense		**—**	2,217
Pension scheme contributions	(ii)	**2,414**	1,377
		20,389	14,941
Cost of inventories sold		**125,336**	36,409
Cost of properties held for sale		**—**	21,772
Amortisation of other intangible asset		**11,779**	6,802
Amortisation of prepaid land lease payments		**383**	30
Depreciation of property, plant and equipment	(iii)	**18,782**	6,586
Auditors' remuneration		**550**	525
Foreign exchange differences, net		**176**	328
Loss on disposal of property, plant and equipment		**701**	—
Minimum lease payments under operating leases			
in respect of land and buildings		**792**	792
Impairment of other receivables		**—**	771

Notes:

(i) Salaries and wages of approximately HK$5,108,000 (2009: HK$2,679,000), HK$12,097,000 (2009: HK$8,276,000) and HK$770,000 (2009: HK$392,000) were included in costs of sales, administrative expenses and selling and distribution expenses respectively.

(ii) At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

(iii) Depreciation of approximately HK$16,014,000 (2009: HK$5,600,000) and HK$2,768,000 (2009: HK$986,000) were included in cost of sales and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

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10. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Interest on bank loan and other loans wholly repayable within five years	**8,317**	6,071
Less: interest capitalised	**(1,487)**	(2,891)
	6,830	3,180
Other finance costs		
Financial guarantee expenses (Note)	**1,113**	—
	7,943	3,180

Note:

Financial guarantee expenses of approximately HK$1,113,000 (2009: Nil) and HK$1,173,000 (2009: HK$1,010,000) were included in finance costs and construction in progress respectively

11. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Fees	**551**	522
Other emoluments:		
Salaries, allowances and benefits in kind	**1,320**	1,322
Equity-settled share option expense	**—**	5,414
Pension scheme contributions	**27**	27
	1,347	6,763
	1,898	7,285

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11. DIRECTORS' REMUNERATION (continued)

During the year ended 31 December 2009, directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options which has been recognised in the income statement, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2009 is included in the above directors' remuneration disclosures. During the year ended 31 December 2010, there was no share options granted to the directors.

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

Group

	Fees HK$'000	Equity-settled share option benefits HK$'000	Total HK$'000
2010			
Mr. Leung Man Kit	**180**	**–**	**180**
Mr. Chan Kwok Wai	**180**	**–**	**180**
Mr. Lam Man Sum, Albert	**180**	**–**	**180**
	540	**–**	**540**
2009			
Mr. Leung Man Kit	174	630	804
Mr. Chan Kwok Wai	174	630	804
Mr. Lam Man Sum, Albert	174	630	804
	522	1,890	2,412

Apart from the above, there were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

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11. DIRECTORS' REMUNERATION (continued)

(b) EXECUTIVE DIRECTORS

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Mr. Zhou Chu Jian He	**–**	**180**	**–**	**9**	**189**
Mr. Ng Man Chung, Siman	**–**	**180**	**–**	**9**	**189**
Mr. Zhang Xiaobing	**–**	**180**	**–**	**9**	**189**
Mr. Liu Zhongsheng	**11**	**780**	**–**	**–**	**791**
	11	**1,320**	**–**	**27**	**1,358**
2009					
Mr. Zhou Chu Jian He	–	180	1,256	9	1,445
Mr. Ng Man Chung, Siman	–	180	1,008	9	1,197
Mr. Zhang Xiaobing	–	180	630	9	819
Mr. Liu Zhongsheng	–	782	630	–	1,412
	–	1,322	3,524	27	4,873

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

NOTES TO THE FINANCIAL STATEMENTS

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12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2009: three directors), details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining four (2009: two) non-directors, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,263**	84
Equity-settled share option expenses	**—**	2,016
Pension scheme contributions	**36**	7
	3,299	2,107

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Group Number of employees	
	2010	2009
Nil — HK$1,000,000	**2**	—
HK$1,000,000 — HK$1,500,000	**2**	2
	4	2

During the year ended 31 December 2009, share options were granted to two non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 39 to the financial statements. The fair value of such options, which has been recognised to the income statement, was determined as at the date of grant and the amount included in the financial statements for the year ended 31 December 2009 is included in the above non-director, highest paid employees' remuneration disclosures.

NOTES TO THE FINANCIAL STATEMENTS

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13. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
	2010	2009
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**112**	—
Under-provision in prior year	**13**	—
Current — elsewhere	**6,369**	3,419
Deferred tax charge/(credit) (note 37)	**1,067**	(359)
Withholding tax on dividend distributed by a jointly-controlled entity in the PRC	**7,452**	6,851
Total tax charge for the year	**15,013**	9,911

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2009: 16.5%) as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current — Hong Kong		
Profit before tax	**134,539**	123,779
Tax at the statutory tax rate of 16.5% (2009: 16.5%)	**22,199**	20,424
Income not subject to tax	**(2,129)**	(6,789)
Expenses not deductible for tax	**2,776**	638
Under-provision in prior year	**39**	—
Profits attributable to a jointly-controlled entity	**(16,002)**	(14,205)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,562)**	1,632
Effect of withholding tax at 10% (2009: 5%) on the distributable profit of the Group's jointly-controlled entity	**9,692**	8,963
Others	**—**	(752)
Tax charge for the Group's effective rate	**15,013**	9,911

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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13. INCOME TAX (continued)

Hunan Taiji Construction Material Company Limited ("Hunan Taiji"), a subsidiary of the Group, is subject to the PRC Enterprise Income Tax ("EIT") at a rate of 25% on taxable income as reported in the statutory PRC financial statements for the year. Hunan Taiji is entitled to exemption from EIT for the first two profitable years commencing from the year ended 31 December 2007 and a 50% reduction from normal EIT for the three years following.

14. DIVIDENDS

	2010 **HK$'000**	2009 HK$'000
Interim dividend paid — HK1 cent (2009: Nil) per share	**9,998**	—
Final dividend proposed — HK1.5 cents (2009: HK1.5 cents) per share	**15,037**	14,994
	25,035	14,994

The directors recommended the payment of a final dividend in respect of the year ended 31 December 2010 of HK1.5 cents per share, totalling approximately HK$15,037,000. The proposed final dividend for the year is subject to the approval at the forthcoming annual general meeting of the Company.

During the year, the final dividend in respect of the financial year ended 31 December 2009 of HK1.5 cents per share totalling approximately HK$14,996,000 and the interim dividend for the six months ended 30 June 2010 of HK1 cent per share, totalling approximately HK$9,998,000 were paid to shareholders.

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a profit of approximately HK$41,473,000 (2009: HK$202,720,000) which has been dealt with in the financial statements of the Company (note 40(b)).

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16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 999,743,857 (2009: 781,382,322) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Group	
	2010	2009
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**104,903**	108,692

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**999,743,857**	781,382,322
Effect of dilution — weighted average number of ordinary shares:		
Share options	**27,436,756**	14,337,267
	1,027,180,613	795,719,589

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010								
At 31 December 2009 and 1 January 2010								
Cost	–	63,463	534	79,218	1,417	1,217	71,303	217,152
Accumulated depreciation	–	(3,505)	(490)	(9,385)	(1,005)	(517)	–	(14,902)
Net carrying amount	–	59,958	44	69,833	412	700	71,303	202,250
At 1 January 2010, net of accumulated depreciation	–	59,958	44	69,833	412	700	71,303	202,250
Additions	4,249	10,479	1,378	2,181	1,407	1,713	29,036	50,443
Disposals	–	(2,098)	–	(293)	(1)	–	–	(2,392)
Transfer from investment properties	–	427	–	–	–	–	–	427
Transfer from construction in progress	–	30,059	–	70,858	–	–	(100,917)	–
Depreciation provided for the year	–	(3,447)	(45)	(14,621)	(324)	(345)	–	(18,782)
Exchange realignment	–	1,643	1	2,285	7	34	578	4,548
At 31 December 2010, net of accumulated depreciation	4,249	97,021	1,378	130,243	1,501	2,102	–	236,494
At 31 December 2010								
Cost	4,249	103,742	1,925	154,272	2,844	2,982	–	270,014
Accumulated depreciation	–	(6,721)	(547)	(24,029)	(1,343)	(880)	–	(33,520)
Net carrying amount	4,249	97,021	1,378	130,243	1,501	2,102	–	236,494

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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17. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Freehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2009								
At 31 December 2008 and 1 January 2009								
Cost	–	2,129	528	–	1,153	1,512	–	5,322
Accumulated depreciation	–	(287)	(452)	–	(977)	(879)	–	(2,595)
Net carrying amount	–	1,842	76	–	176	633	–	2,727
At 1 January 2009, net of accumulated depreciation	–	1,842	76	–	176	633	–	2,727
Additions	–	–	–	–	316	–	40,696	41,012
Disposals	–	–	–	(37)	–	–	–	(37)
Acquisition of subsidiaries	–	59,183	–	74,337	43	322	30,380	164,265
Disposal of subsidiaries	–	–	–	–	(17)	–	–	(17)
Depreciation provided for the year	–	(1,369)	(33)	(4,813)	(108)	(263)	–	(6,586)
Exchange realignment	–	302	1	346	2	8	227	886
At 31 December 2009, net of accumulated depreciation	–	59,958	44	69,833	412	700	71,303	202,250
At 31 December 2009								
Cost	–	63,463	534	79,218	1,417	1,217	71,303	217,152
Accumulated depreciation	–	(3,505)	(490)	(9,385)	(1,005)	(517)	–	(14,902)
Net carrying amount	–	59,958	44	69,833	412	700	71,303	202,250

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Office equipment HK$'000
31 December 2010	
At 31 December 2009 and 1 January 2010	
Cost	**193**
Accumulated depreciation	**(86)**
Net carrying amount	**107**
At 1 January 2010, net of accumulated depreciation	**107**
Additions	**19**
Depreciation provided for the year	**(30)**
At 31 December 2010, net of accumulated depreciation	**96**
At 31 December 2010	
Cost	**212**
Accumulated depreciation	**(116)**
Net carrying amount	**96**
31 December 2009	
At 31 December 2008 and 1 January 2009	
Cost	84
Accumulated depreciation	(57)
Net carrying amount	27
At 1 January 2009, net of accumulated depreciation	27
Additions	109
Depreciation provided for the year	(29)
At 31 December 2009, net of accumulated depreciation	107
At 31 December 2009	
Cost	193
Accumulated depreciation	(86)
Net carrying amount	107

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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18. INVESTMENT PROPERTIES

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	16,988	16,986
Additions	10,074	1,398
Net profit/(loss) from a fair value adjustment	5,382	(1,396)
Transfer to property, plant and equipment	(427)	—
Transfer to prepaid land lease payments	(1,565)	—
Exchange realignment	193	—
Carrying amount at 31 December	30,645	16,988

The investment properties are held under a medium term lease and are situated in the PRC.

The Group's investment properties were revalued on 31 December 2010 by RHL Appraisal Limited, independent professional qualified valuer, at approximately HK$30,645,000 (equivalent to RMB26,355,000), on an open market value basis by direct comparison method. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 44 to the financial statements.

Further particulars of the Group's investment properties are included on page 133.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount at 1 January	553	548
Additions	12,202	—
Transfer from deposit for acquisition of land use rights	9,625	—
Transfer from investment properties	1,565	—
Recognised during the year (note 9)	(383)	(30)
Exchange realignment	415	35
	23,977	553

The leasehold land is held under medium term leases and is situated in the PRC.

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20. OTHER INTANGIBLE ASSET

Group

	Supplier contracts HK$'000
31 December 2010	
Cost at 1 January 2010, net of accumulated amortisation	159,677
Amortisation provided during the year	(11,779)
Exchange realignment	3,322
At 31 December 2010	**151,220**
At 31 December 2010	
Cost	170,122
Accumulated amortisation	(18,902)
Net carrying amount	**151,220**
31 December 2009	
Cost at 1 January 2009, net of accumulated amortisation	—
Acquisition of subsidiaries (note 41)	165,698
Amortisation provided during the year	(6,802)
Exchange realignment	781
At 31 December 2009	159,677
At 31 December 2009	
Cost	166,492
Accumulated amortisation	(6,815)
Net carrying amount	159,677

NOTES TO THE FINANCIAL STATEMENTS

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20. OTHER INTANGIBLE ASSET (continued)

The amount of supplier contract represents the fair value of the materials supply agreement embedded in the joint venture agreement dated 30 June 2006 ("Joint Venture Agreement") regarding the establishment of Hunan Taiji entered into between the joint venturers, namely Junefield (Building Material) Limited and 漣源鋼鐵集團有限公司 (Lianyuan Steel Group Limited) ("Lianyuan Steel"), upon the acquisition of Junefield (Building Material) Limited and its subsidiary, Hunan Taiji, by the Group on 22 May 2009 (note 41(a)). 華菱漣源鋼鐵有限公司 (Hualing Steel Company Limited) ("Hualing Steel"), a company established in the PRC, is a steel products manufacturer and is effectively owned as to more than 30% by the holding company of Lianyuan Steel. Pursuant to the Joint Venture Agreement, Lianyuan Steel is responsible to guarantee the supply of raw materials required by Hunan Taiji and to procure Hualing Steel to supply granulated steel slag to Hunan Taiji at a prescribed unit price for a period of 15 years from the date of commencement of operation of Hunan Taiji.

The above intangible asset has definite useful live and is amortised on a straight-line basis over the estimated useful live of 14 years.

21. DEPOSIT FOR ACQUISITION OF LAND USE RIGHTS

Hunan Taiji entered into a contract with Loudi City Economic Development Zone Management Committee (婁底市經濟開發區管理委員會) on 15 February 2007 for the acquisition of land use rights at a consideration of approximately RMB17,952,000. As at 31 December 2009, RMB8,458,000 (equivalent to approximately HK$9,625,000) has been paid by Hunan Taiji and recognised as deposits for acquisition of land use rights on the consolidated statement of financial position.

During the year ended 31 December 2010, Hunan Taiji has obtained the aforesaid land use right certificate. The deposits paid were transferred to prepaid land lease payments during the year ended 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

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22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**182,079**	182,079
Capital contribution in respect of employee share-based compensation	**2,016**	2,016
	184,095	184,095
Impairment for unlisted shares	**(182,079)**	(182,079)
	2,016	2,016

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Huaxia Group Limited	British Virgin Islands	US$50,000	100	Investment holding
Indirectly held				
Huaxia Development Worldwide Limited	Hong Kong	HK$100	100	Investment holding
Hudson Development (H.K.) Limited ("HDHK")	Hong Kong	HK$10 ordinary shares and HK$1,000,000 non-voting deferred shares (Note (ii))	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
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22. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Hudson International Hong Kong Limited	Hong Kong	HK$2	100	Investment holding
Huaxia Investment Worldwide Limited	Hong Kong	HK$100	100	Investment holding
International Management Company Limited ("IMC")	Hong Kong	HK$1,500,000	100	Investment holding
Ever Park Development Limited ("EPD")	Hong Kong	HK$2	100	Property investment
Wuhan Huaxin Management Limited ("WHM") (Note (i))	PRC	RMB3,000,000	51	Property management
Grade Honor Investments Limited	British Virgin Islands	US$1	100	Investment holding
Junefield (Building Material) Limited	Hong Kong	HK$2	100	Investment holding
Hunan Taiji Construction Material Company Limited	PRC	US$11,000,000	60	Manufacture and sale of construction materials

NOTES TO THE FINANCIAL STATEMENTS

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22. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Golden Talent Development Limited	Hong Kong	HK$1	100	Property investment
莊勝（北京）房地產經紀有限公司 (Junefield (Beijing) Property Agency Co., Ltd.) ("Junefield Agency") (Note (iii))	PRC	US$100,000	100	Property agency
Lima Junefield Plaza S.A.C.	Peru	Soles7,848,316	100	Leasing of machinery
Top Honor Investment Development Limited	Hong Kong	HK$1	100	Trading of coal
Best Yield Corporation Limited	Hong Kong	HK$1	100	Investment holding

Notes:

(i) The subsidiaries are registered as contractual joint ventures under the PRC law.

(ii) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of HDHK by virtue or in respect of their holdings of such non-voting deferred shares, except at a general meeting convened for any resolution varying or abrogating any of the rights or privileges of the said non-voting deferred shares, or when the resolution to be submitted at a general meeting directly affects the rights and privileges of such holders, or is for the purpose of reducing share capital. The holders of the non-voting deferred shares are not entitled to any dividends of HDHK unless the profit available for distribution for the financial year exceeds HK$100,000,000,000,000 and are not entitled to any participation in the profits or assets of HDHK. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of HDHK, to a return of the capital paid-up on the non-voting deferred shares held by them after a total sum of HK$500,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of HDHK.

(iii) The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC Laws.

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

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23. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**83,554**	82,104

Particulars of the Group's jointly-controlled entity at 31 December 2010 are as follows:

Name	Particulars of registered capital	Place of registration and operations	Percentage of ownership interest and profit sharing attributable to the Group	Principal activities
Wuhan Plaza Management Co., Ltd. ("WPM")	Registered capital of US$10,290,000	PRC	49	Operation and management of a department store

WPM is an equity joint venture company established by IMC, an indirectly held subsidiary of the Company, and Wuhan Department Store Group Co., Ltd. (the "PRC Partner") for a period of 20 years commencing from 29 December 1993. The registered capital of WPM amounted to US$21,000,000.

The amount due from a jointly-controlled entity at 31 December 2010 of approximately HK$6,726,000 (2009: HK$5,112,000) is unsecured, interest-free and has no fixed terms of repayment.

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23. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

Subsequent to the end of the reporting period, WPM declared a final dividend of approximately RMB76,049,000 (equivalent to approximately HK$90,534,000) to the owners of the jointly-controlled entity in accordance with their profit sharing ratio. The Group is entitled to its share of the dividends declared by WPM amounting to approximately HK$44,362,000.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	Group	
	2010	2009
	HK$'000	HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**384,357**	308,480
Non-current assets	**11,502**	3,772
Current liabilities	**(312,305)**	(230,148)
	83,554	82,104
Share of the jointly-controlled entity's results:		
Income	**1,169,980**	1,022,220
Expenses	**(1,073,000)**	(936,127)
	96,980	86,093

24. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted equity investment, at cost	**31,642**	31,642
Impairment	**(31,642)**	(31,642)
	–	–

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24. AVAILABLE-FOR-SALE INVESTMENT (continued)

The above investment in equity securities, which is designated as an available-for-sale financial asset, has no fixed maturity date or coupon rate.

The PRC business licence of Wuhan Huaxin Real-Estate Co., Ltd. has expired on 4 September 2007.

The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

25. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials and consumables	**3,043**	2,034
Finished goods	**1,037**	258
	4,080	2,292

26. PROPERTIES HELD FOR SALE

The Group's properties held for sale at 31 December 2010 were held under medium term leases in the PRC.

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27. ACCOUNTS RECEIVABLE

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accounts receivable	**6,186**	15,046	**–**	13,500
Impairment	**(256)**	(362)	**–**	–
	5,930	14,684	**–**	13,500

Included in the Group's accounts receivable at 31 December 2009 were (i) an amount due from a related company, Wuhan Junefield Sogo Department Store ("Wuhan Sogo"), of HK$13,500,000, which was non-interest-bearing and denominated in Hong Kong dollars; and (ii) an amount due from a related company, Hualing Steel, of approximately HK$113,000, which was non-interest-bearing and denominated in RMB. The Group does not grant credit period to these related companies. Details of these related party transactions are set out in note 47 to the financial statements.

Other accounts receivable are due immediately from the date of billing. Payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and overdue balances which are reviewed regularly by senior management to minimise credit risk. Other accounts receivable are non-interest-bearing and mainly denominated in RMB.

An aged analysis of the Group's accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**3,011**	796
1 to 3 months	**911**	94
Over 3 months	**2,264**	14,156
	6,186	15,046
Impairment	**(256)**	(362)
	5,930	14,684

NOTES TO THE FINANCIAL STATEMENTS

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27. ACCOUNTS RECEIVABLE (continued)

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**362**	15,041
Impairment losses reversed (note 8)	**(112)**	(442)
Amount written off as uncollectible	**—**	(14,409)
Exchange realignment	**6**	172
	256	362

The above provision for impairment of accounts receivable represents provision for individually impaired accounts receivable of approximately HK$256,000 (2009: HK$362,000). The individually impaired accounts receivable mainly relate to customers that were in financial difficulties. It was assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Less than 1 month past due	**3,011**	796
1 to 3 months past due	**911**	94
Over 3 months past due	**2,008**	13,794
	5,930	14,684

Receivables that were past due but not impaired relate to certain independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments, deposits and other receivables	**12,784**	10,569	**2,001**	2,562
Impairment	**(901)**	(898)	**(160)**	(60)
	11,883	9,671	**1,841**	2,502

Included in the other receivables at 31 December 2010 was a loan receivable of approximately HK$3,488,000 (2009: HK$3,414,000), which is denominated in RMB, bears interest at 1% per month, secured by personal guarantee and will be repayable in December 2011.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**898**	1,757
Impairment losses recognised (note 9)	**–**	771
Amount written off as uncollectible	**–**	(1,650)
Exchange realignment	**3**	20
	901	898

An impairment loss is made on deposits and other receivables based on a review of all outstanding amounts on regular basis when collection of the amounts is in doubt. Bad debts are written off when identified. The Group does not hold any collateral or other credit enhancements over these balances.

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29. AMOUNT DUE FROM A JOINT VENTURER

	Group	
	2010	2009
	HK$'000	HK$'000
Amount due from a joint venturer	**2,445**	2,135
Impairment	**–**	(1,735)
	2,445	400

The amount due from a joint venturer is unsecured, interest-free and has no fixed terms of repayment. An impairment loss of HK$Nil (2009: approximately HK$1,735,000) is made on the amount due from a joint venturer based on a review of all outstanding amounts on regular basis when collection of the amount was in doubt.

30. AMOUNTS DUE FROM RELATED COMPANIES

Name of company	Name of director having interests	Highest balance outstanding during the year HK$'000	Group 2010 HK$'000	Group 2009 HK$'000
Beijing Junefield Real Estate Development Co., Ltd. ("Beijing Junefield")	Mr. Zhou Chu Jian He	1,654	**–**	1,654
Power Fortune Mining S.A.C.	Mr. Zhou Chu Jian He	119	**119**	–
Junefield Property Agency Limited	Mr. Zhou Chu Jian He	751	**751**	–
Hualing Steel	Note	8,368	**8,368**	733
湖南漣鋼物流有限公司 (Lianyuan Logistics Co., Ltd.) ("Lianyuan Logistics")	Note	245	**–**	72
			9,238	2,459

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

Note: Lianyuan Steel, being the holding company of the minority shareholder of Hunan Taiji, has beneficial interests in Hualing Steel and Lianyuan Logistics.

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31. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY/RELATED COMPANIES

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

32. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments, market value:				
Hong Kong	**7,299**	10,763	**7,299**	10,763
Elsewhere	**13,399**	—	**—**	—
	20,698	10,763	**7,299**	10,763

The above equity investments at 31 December 2009 and 2010 were classified as held for trading.

33. TIME DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**76,157**	9,010	**42,004**	—
Cash and bank balances	**48,669**	82,736	**3,649**	98
	124,826	91,746	**45,653**	98

At 31 December 2010, the time deposits and cash and bank balances of the Group denominated in RMB amounted to approximately HK$75,643,000 (2009: HK$91,004,000). The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

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33. TIME DEPOSITS AND CASH AND BANK BALANCES (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of average term of three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

34. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
Within 1 month	**5,835**	5,275
1 to 3 months	**3,479**	955
Over 3 months	**—**	141
	9,314	6,371

The accounts payable are non-interest-bearing and are mainly denominated in RMB.

Included in the Group's accounts payable at 31 December 2010 was an amount due to a related company, Lianyuan Logistics, of approximately HK$1,525,000 (2009: HK$1,821,000), which was non-interest-bearing and denominated in RMB. Details of these related party transactions are set out in note 47 to the financial statements.

35. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Accruals	**10,786**	9,166	**5,670**	5,070
Business tax payable	**2,298**	1,423	**—**	—
Deposits received	**8,492**	10,412	**—**	—
Other payables	**61,146**	35,867	**190**	164
	82,722	56,868	**5,860**	5,234

Other payables are non-interest-bearing.

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36. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2010		2009	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Bank loan				
— secured (Note (i))	**2011**	**29,070**	2010	28,524
Other loan				
— unsecured (Note (ii))	**On demand**	**5,882**	On demand	5,682
Amounts repayable within one year or on demand		**34,952**		34,206
Non-current				
Bank loan				
— secured (Note (i))	**2012-2013**	**58,139**	2011-2013	85,274
		93,091		119,480

Company

	2010		2009	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Other loan				
— unsecured (Note (ii))	**On demand**	**5,882**	On demand	5,682
Amounts repayable within one year or on demand		**5,882**		5,682

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36. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(i) During the year ended 31 December 2009, the Group obtained a bank loan of approximately HK$113,255,000 through its acquisition of subsidiaries. The loan is denominated in RMB, bears interest at an interest rate equivalent to that of a relevant term loan quoted by the People's Bank of China per annum multiplied by 120%, and will be due in December 2013. The bank loan is secured by guarantees executed by 北京莊勝崇光百貨商場 (Beijing Junefield Sogo Department Store) ("Beijing Junefield Sogo") and Lianyuan Steel. Further details are included in note 47(a)(vii) to the financial statements.

(ii) The unsecured other loan is denominated in RMB, bears interest at a rate of 9.5% per annum and has no fixed terms of repayment.

37. DEFERRED TAX

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

Group

	2010			
	Intangible asset HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2010	39,919	8,805	2,112	50,836
Release upon payment of withholding tax during the year (note 13)	–	–	(2,112)	(2,112)
Deferred tax (credited)/charged to the income statement during the year (note 13)	(2,945)	1,772	4,352	3,179
Exchange differences	831	17	5	853
At 31 December 2010	**37,805**	**10,594**	**4,357**	**52,756**

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37. DEFERRED TAX (continued)

Group

	2009			
	Intangible asset HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2009	—	9,575	—	9,575
Acquisition of subsidiaries	41,425	—	—	41,425
Deferred tax (credited)/charged to the income statement during the year (note 13)	(1,701)	(770)	2,112	(359)
Exchange differences	195	—	—	195
At 31 December 2009	39,919	8,805	2,112	50,836

The Group has tax losses arising in Hong Kong of approximately HK$764,000 (2009: HK$764,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of HK$Nil (2009: approximately HK$1,858,000) that will expire within five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

NOTES TO THE FINANCIAL STATEMENTS

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37. DEFERRED TAX (continued)

At 31 December 2009 and 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$3,350,000 at 31 December 2010 (2009: HK$1,059,000).

At 31 December 2009 and 2010, deferred tax has been recognised for the withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's jointly-controlled entity.

38. ISSUED CAPITAL

	2010 **HK$'000**	2009 HK$'000
Authorised:		
25,000,000,000 ordinary shares of HK$0.10 each	**2,500,000**	2,500,000
Issued and fully paid:		
1,002,467,967 (2009: 999,567,967) ordinary shares of HK$0.10 each	**100,247**	99,957

During the years ended 31 December 2009 and 2010, the movements in share capital were as follows:

(a) On 25 May 2009, the Company allotted and issued 366,666,667 ordinary shares of HK$0.10 each at the issued price of HK$0.15 per share to partly settle the consideration for acquisition of the entire equity interests in Junefield (Building Material) Limited (note 41(a)). The completion date of the acquisition was 22 May 2009. The closing price of the shares of the Company on 22 May 2009 was HK$0.17 per share.

(b) A rights issue of one rights share for every two existing shares held by members on the register of members on 20 May 2009 was made, at an issue price of HK$0.10 per rights share, resulting in the issue of 210,967,100 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$21,096,710.

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38. ISSUED CAPITAL (continued)

(c) The subscription rights attaching to 2,900,000 share options were exercised at the subscription price of HK$0.229 per share (note 39(b)), resulting in the issue of 2,900,000 shares each of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$665,000. An amount of approximately HK$365,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

	Number of shares in issue	Issued capital HK$'000	Share Share premium account HK$'000	Total HK$'000
At 1 January 2009	421,934,200	42,193	42,424	84,617
Consideration shares (a)	366,666,667	36,667	25,666	62,333
Rights issue (b)	210,967,100	21,097	—	21,097
	999,567,967	99,957	68,090	168,047
Share issued expenses	—	—	(1,350)	(1,350)
At 31 December 2009 and 1 January 2010	**999,567,967**	**99,957**	**66,740**	**166,697**
Share options exercised (c)	**2,900,000**	**290**	**740**	**1,030**
At 31 December 2010	**1,002,467,967**	**100,247**	**67,480**	**167,727**

Details of the Company's share option schemes are included in note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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39. SHARE OPTION SCHEME

(a) SHARE OPTION SCHEME ADOPTED BY THE COMPANY ON 10 NOVEMBER 1999 AND TERMINATED ON 29 JUNE 2009

The Company operated a share option scheme (the "1999 Share Option Scheme"), which was adopted by the shareholders of the Company on 10 November 1999, with reference to Chapter 17 of the Listing Rules 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 1999 Share Option Scheme included full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries. The 1999 Share Option Scheme became effective on 10 November 1999 and was terminated by shareholders of the Company on 29 June 2009.

The maximum number of unexercised share options permitted to be granted under the 1999 Share Option Scheme was an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted was determinable by the directors, and commenced after a certain vesting period and ends on a date which was not later than two years commencing on the expiry of 6 months after the commencement date and expiring on the last day of the two-year period or the tenth anniversary of the adoption date, which is the earlier.

The subscription price of the share options was determined by the directors and notified to each relevant director and employee. The subscription price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the 1999 Share Option Scheme exceeding 10% of the aggregate number of shares issued and issuable under the 1999 Share Option Scheme for the time being.

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

During the past years, 27,416,000 options were granted to certain employees and directors of the Group pursuant to the 1999 Share Option Scheme, out of which 2,108,000 had been forfeited and 25,308,000 had expired in accordance with the terms of the 1999 Share Option Scheme.

No share option under the 1999 Share Option Scheme was granted, forfeited, exercised or expired during the year ended 31 December 2009.

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39. SHARE OPTION SCHEME (continued)

(b) SHARE OPTION SCHEME ADOPTED BY THE COMPANY ON 29 JUNE 2009

An ordinary resolution was passed by the shareholders at the special general meeting of the Company held on 29 June 2009 to adopt a new share option scheme ("2009 Share Option Scheme") and terminate the 1999 Share Option Scheme.

The purpose of the 2009 Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The 2009 Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Eligible participants of the 2009 Share Option Scheme include (i) any full-time employees and directors (including executive directors, non-executive directors and independent non-executive directors) of the Group; (ii) any advisor or consultant to the Group, providers of goods and/or services to the Group, and any other person who, at the sole determination of the board of directors of the Company, has contributed to the Group; and (iii) the trustee of any trust whose beneficiaries or objects include any aforesaid employee or business associate.

The 2009 Share Option Scheme became effective on 29 June 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of share options permitted to be granted under the 2009 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the 2009 Share Option Scheme.

The maximum number of shares issuable under share options to each eligible participant in the 2009 Share Option 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.

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39. SHARE OPTION SCHEME (continued)

(b) SHARE OPTION SCHEME ADOPTED BY THE COMPANY ON 29 JUNE 2009 (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval 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 and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than ten years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

The following share options were outstanding under the 2009 Share Option Scheme during the years ended 31 December 2009 and 2010:

	2010		2009	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
At 1 January	**0.229**	**60,580**	—	—
Granted during the year		**—**	0.229	60,580
Exercised during the year	**0.229**	**(2,900)**	—	—
At 31 December	**0.229**	**57,680**	0.229	60,580

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39. SHARE OPTION SCHEME (continued)

(b) SHARE OPTION SCHEME ADOPTED BY THE COMPANY ON 29 JUNE 2009 (continued)

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.85 per share (2009: No share option was exercised). No share option under the 2009 Share Option Scheme was forfeited or expired during the years ended 31 December 2009 and 2010.

The exercise price and exercisable periods of the share options outstanding as at the end of the reporting period are as follows:

Year	Date of grant	Number of options	Exercise price* HK$ per share	Exercisable period
2010	**6 July 2009**	**57,680,000**	**0.229**	**6 July 2009 to 5 July 2019**
2009	6 July 2009	60,580,000	0.229	6 July 2009 to 5 July 2019

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

During the year ended 31 December 2009, the fair value of the share options granted was approximately HK$7,631,000 (HK$0.126 each) of which the Group recognised a share option expense of approximately HK$7,631,000. No share option expense was recognised during the year ended 31 December 2010.

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39. SHARE OPTION SCHEME (continued)

(b) SHARE OPTION SCHEME ADOPTED BY THE COMPANY ON 29 JUNE 2009 (continued)

The fair value of equity-settled share options granted during the year ended 31 December 2009 was estimated as at the date of grant, using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Share price at date of grant	HK$0.229
Exercise price	HK$0.229
Dividend yield (%)	0%
Expected volatility (%)	76.017%
Risk-free interest rate (%)	2.576%
Dilution factor	94.29%
Exercise multiple	2.6

The expected life of the options is based on the historical data over the past years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 2,900,000 share options exercised during the year ended 31 December 2010 resulted in the amount of 2,900,000 ordinary shares of the Company and new share capital of HK$290,000 and share premium of approximately HK$740,000, as further detail in note 38 to the financial statements.

At the end of the reporting period, the Company had 57,680,000 share options outstanding under the 2009 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 57,680,000 additional ordinary shares of the Company and additional share capital of HK$5,768,000 and share premium of approximately HK$14,708,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 57,680,000 share options outstanding under the 2009 Share Option Scheme, which represented approximately 5.75% of the Company's shares in issue as at that date.

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40. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation on 10 November 1999 (the "Reorganisation"), over the nominal value of the Company's shares issued in exchange therefor.

According to the relevant PRC rules and regulations and the Articles of Association of the PRC subsidiary of the Company which require the appropriation of 10% of its profit after tax to the statutory surplus reserve until the balance of the reserve reaches 50% of its registered capital. The transfer of the reserve must be made before distributions of dividends to owners of the Group. Statutory surplus reserve can be used for making up losses and may be converted into capital in proportion to existing owners' equity percentage, provided that the balance after such issuance is not less than 25% of its registered capital.

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40. RESERVES (continued)

(b) COMPANY

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2009	42,424	178,927	–	(348,216)	–	(126,865)
Total comprehensive income for the year	–	–	–	202,720	–	202,720
Consideration shares	25,666	–	–	–	–	25,666
Share issued expenses	(1,350)	–	–	–	–	(1,350)
Equity-settled share option arrangements	–	–	7,631	–	–	7,631
Transfer to accumulated losses	–	(178,927)	–	178,927	–	–
Proposed final 2009 dividend	–	–	–	(14,994)	14,994	–
At 31 December 2009 and 1 January 2010	**66,740**	**–**	**7,631**	**18,437**	**14,994**	**107,802**
Total comprehensive income for the year	**–**	**–**	**–**	**41,473**	**–**	**41,473**
Share options exercised	**740**	**–**	**(365)**	**–**	**–**	**375**
Final 2009 dividend paid	**–**	**–**	**–**	**–**	**(14,996)**	**(14,996)**
Interim 2010 dividend paid	**–**	**–**	**–**	**(9,998)**	**–**	**(9,998)**
Proposed final 2010 dividend	**–**	**–**	**–**	**(15,037)**	**15,037**	**–**
Transfer from retained profits	**–**	**–**	**–**	**(2)**	**2**	**–**
At 31 December 2010	**67,480**	**–**	**7,266**	**34,873**	**15,037**	**124,656**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange therefor. At the meeting of the board of directors held on 27 August 2009, the transfer of contributed surplus in the sum of approximately HK$178,927,000 to set off the accumulated losses was approved by the directors and the transaction took effect on 27 August 2009 accordingly.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

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41. BUSINESS COMBINATION

(a) On 22 May 2009, the Group acquired the entire issued share capital of Junefield (Building Material) Limited from Junefield (Holdings) Limited (the "Vendor") and acquired the shareholder's loan due and owing to the Vendor, at the total consideration of HK$110,000,000. The Vendor is a company wholly owned by Mr. Zhou Chu Jian He, chairman of the board of directors of the Company. The purchase consideration for the acquisition was settled by: (i) cash of HK$55,000,000; and (ii) allotment and issue of 366,666,667 new shares ("Consideration Share") credited as fully paid at HK$0.15 each. The Group adopted the closing price of the shares of the Company on 22 May 2009 of HK$0.17 per share as the fair value of Consideration Share. Junefield (Building Material) Limited is an investment holding company and owns 60% equity interests in Hunan Taiji, which is engaged in the manufacture and sale of slag powder.

The fair values of the identifiable assets and liabilities of Junefield (Building Material) Limited and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition HK$'000	**Previous carrying amount** HK$'000
Property, plant and equipment (note 17)	164,085	164,085
Intangible asset (note 20)	165,698	—
Deposit for land use rights	8,073	8,073
Inventories	2,821	2,821
Accounts receivable	2,008	2,008
Prepayments, deposits and other receivables	3,384	3,384
Tax recoverable	537	537
Cash and bank balances	68,508	68,508
Accounts payable	(4,885)	(4,885)
Accruals and other payables	(30,560)	(30,560)
Amount due to a shareholder	(49,359)	(49,359)
Interest-bearing bank loan	(113,255)	(113,255)
Deferred tax liabilities (note 37)	(41,425)	—
Non-controlling interest	(89,994)	(42,419)
	85,636	8,938

Amount due to a shareholder acquired	49,359
Excess over the cost of a business combination recognised in the income statement	(17,662)
	117,333
Satisfied:	
Cash	55,000
Fair value of Consideration Shares	62,333
	117,333

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

(Expressed in Hong Kong dollars)

41. BUSINESS COMBINATION (continued)

(a) (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(55,000)
Cash and bank balances acquired	68,508
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	13,508

Since its acquisition, Junefield (Building Material) Limited and its subsidiaries contributed approximately HK$91,415,000 to the Group's turnover and approximately HK$17,687,000 to the consolidated profit for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2009 would have been approximately HK$114,192,000 and HK$16,608,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

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41. BUSINESS COMBINATION (continued)

(b) On 16 October 2009, the Group acquired the entire registered share capital of Junefield Agency at the consideration of HK$1. Junefield Agency is engaged in property agency.

The fair values of the identifiable assets and liabilities of Junefield Agency as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment (note 17)	180	180
Other receivables	532	532
Cash and bank balances	2,293	2,293
Accruals and other payables	(3,005)	(3,005)
	—	—
Satisfied:		
Cash	—	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	—
Cash and bank balances acquired	2,293
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	2,293

Since its acquisition, Junefield Agency contributed HK$Nil to the Group's turnover and loss of approximately HK$2,089,000 to the consolidated results for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2009 would have been approximately HK$14,604,000 and HK$11,918,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

42. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2010, the Group disposed of its entire equity interests in Profit Hunter Investment Limited at a cash consideration of USD1 (or equivalent of HK$7.8). During the year ended 31 December 2009, the Group disposed of its entire equity interests in Huaxia Construction Limited at a cash consideration of HK$2.

	2010 **HK$'000**	2009 HK$'000
Net liabilities disposed of:		
Property, plant and equipment (note 17)	**—**	17
Prepayments, deposits and other receivables	**18**	10
Cash and bank balances	**4**	9
Accounts payable	**—**	(13,516)
Other payables and accruals	**(5)**	(5,712)
Amount due to ultimate holding company	**(46)**	—
Amount due to immediate holding company	**—**	(459)
Amount due to intermediate holding company	**(15)**	(160)
Amount due to a fellow subsidiary	**(121)**	(152)
Tax payable	**—**	(1,021)
	(165)	(20,984)
Release of exchange fluctuation reserve	**—**	2,530
Gain on disposal of subsidiaries	**165**	18,454
	—	—
Satisfied by:		
Cash	**—**	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

42. DISPOSAL OF SUBSIDIARIES (continued)

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

	2010 HK$'000	2009 HK$'000
Cash consideration	**—**	—
Cash and bank balances disposed of	**(4)**	(9)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(4)**	(9)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2009, the Company has received aggregate dividends of approximately HK$224,003,000 from WPM, a jointly-controlled entity of the Group, approximately HK$70,537,000 of which was used to settle the loan from WPM.

44. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

The Group leases certain of its properties and machineries under operating lease arrangements, which leases negotiated for terms ranging from one to three years.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Within one year	**1,932**	1,909
In the second to fifth years, inclusive	**643**	384
	2,575	2,293

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

44. OPERATING LEASE ARRANGEMENTS (continued)

(b) AS LESSEE

The Group leases its property under operating lease arrangements. Lease for property is negotiated for a terms of two years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Within one year	**800**	792
In the second to fifth years, inclusive	**800**	—
	1,600	792

45. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 44 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010 HK$'000	2009 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**–**	17,281
Land use rights	**–**	10,804
	–	28,085

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

46. LITIGATIONS

On 29 October 2009, IMC (indirect wholly-owned subsidiary of the Company) received a copy of writ filed with the Intermediate People's Court of Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市中級人民法院) (the "PRC Court") on 26 April 2009 (the "Writ") claiming against IMC and a former subsidiary of the Group for an outstanding investment fund of RMB20 million (the "Debt") due and owing by IMC to another former subsidiary of the Group, being a former subsidiary of IMC, together with interests of RMB21.63 million. The plaintiff alleged that the Debt had been assigned to it. Pursuant to an asset preservation order made by the PRC Court on 5 May 2009, part of IMC's shareholding which is worth RMB41.63 million in the capital of its jointly-controlled entity in the PRC was frozen because of the asset preservation application filed by the plaintiff. Based on the legal opinion of the Group's PRC legal adviser, the directors of the Company are of the opinion that the action can be successfully defended and, accordingly, no provision has been made in the financial statements.

47. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

		Group	
	Note	**2010** **HK$'000**	2009 HK$'000
Property management fee received	(i)	**3,027**	2,827
Brand sourcing consultancy and property management consultancy services	(ii)	**—**	13,500
Purchases from Hualing Steel	(iii)	**4,613**	1,708
Logistics services fee charged by Lianyuan Logistics	(iv)	**10,661**	5,341
Rental expenses paid	(v)	**792**	792
Purchase of properties from Beijing Junefield	(vi)	**9,679**	—
Financial guarantee expense paid to Beijing Junefield Sogo	(vii)	**1,143**	505
Financial guarantee expense paid to Lianyuan Steel	(vii)	**1,143**	505

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

47. RELATED PARTY TRANSACTIONS (continued)

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Notes:

(i) The Group provided WPM, a jointly-controlled entity of the Group, with property management services, for which a property management fee of approximately HK$3,027,000 (2009: HK$2,827,000) was charged.

(ii) On 31 August 2007, the Group entered into a service agreement with Wuhan Sogo, a collective enterprise established under the laws of the PRC, whereby the Group provided brand sourcing consultancy and property management consultancy services to Wuhan Sogo for a term of two years at a monthly services fee of HK$1,500,000 commenced from 1 October 2007. Mr. Zhou Chu Jian He, the Chairman, an executive director and a controlling shareholder of the Company, has a control over the operations and financial activities of Wuhan Sogo. The balance due from Wuhan Sogo at 31 December 2010 was HK$Nil (2009: HK$13,500,000).

(iii) Pursuant to the materials supply agreement, Hualing Steel acts as the supplier of Hunan Taiji for the supply of the required granulated steel slag. Pursuant to the Joint Venture Agreement, the minority shareholder of Hunan Taiji procured Hualing Steel to enter into the materials supply agreement with Hunan Taiji to supply granulated steel slag to Hunan Taiji at a unit price of RMB4 per ton (Value Added Tax (VAT) inclusive). The unit material price was determined at the time of entering into the Joint Venture Agreement to establish Hunan Taiji.

(iv) Pursuant to the logistics services agreement in relation to the transportation of granulated steel slag, the logistics services fee was determined on an annual basis between Hunan Taiji and Lianyuan Logistics with reference to the prevailing market price of similar transportation services. The outstanding balance with Lianyuan Logistics is included in accounts payable and disclosed in note 34 to the financial statements.

(v) Rental expenses paid to the ultimate holding company, the monthly rentals were mutually agreed between the contracting parties.

(vi) On 17 March 2010, Junefield Agency, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Beijing Junefield to acquire certain properties situated in the PRC at a total cash consideration of RMB8,517,470 (equivalent to approximately HK$9,679,000). Beijing Junefield is indirectly owned as to 55% by Mr. Zhou Chu Jian He, the chairman and the controlling shareholder of the Company. The transaction was completed on 25 March 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

47. RELATED PARTY TRANSACTIONS (continued)

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Notes: (continued)

(vii) Pursuant to the loan agreement dated 21 January 2009 entered into between Hunan Taiji and a bank in the PRC, a bank loan of RMB100 million was advanced by the bank to Hunan Taiji and is repayable on or before 27 December 2013 (the "Loan"). Beijing Junefield Sogo and Lianyuan Steel had been providing guarantees in favour of the bank for the provision of the Loan to Hunan Taiji previously. On 15 October 2010, Hunan Taiji has subsequently entered into the guarantee fee agreements with Beijing Junefield Sogo and Lianyuan Steel respectively, pursuant to which Hunan Taiji has agreed to pay a guarantee fee equivalent to 1% on the outstanding Loan amount to each of Beijing Junefield Sogo and Lianyuan Steel in return for the guarantees provided by them in favour of the bank for the provision of the Loan during the guarantee period under the Loan agreement which is from 21 January 2009 to 27 December 2013. The guarantee fees are calculated on a half-yearly basis in arrears and payable in cash until the Loan is fully repaid. Hunan Taiji is not required to provide any security over its assets in return for the above financial assistance provided by Beijing Junefiled Sogo and Lianyuan Steel.

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	Group	
	2010	2009
	HK$'000	HK$'000
Short term employee benefits	**1,347**	1,349
Equity-settled share option expense	**–**	5,414
	1,347	6,763

Further details of directors' remuneration are included in note 11 to the financial statements.

48. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2011, the Group entered into a loan agreement with a borrower and provided the borrower with a loan in the sum of HK$28,000,000. The loan bears interest at 1% per month, unsecured and is repayable in June 2011. In addition, on 9 March 2011, the Group entered into another loan agreement with another borrower and provided the borrower with a loan in the sum of RMB15,000,000 (equivalent to approximately HK$17,647,000). The loan bears interest at 1% per month, secured by personal guarantee and is repayable in June 2011.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Gross floor area	Category of the lease	Use
Units 708, 731, 732, 734, 735, 1132, 1510 and 1516 of Junefield Plaza Office Tower I, No. 6 Xuan Wu Men Wai Main Street, Beijing, the PRC.	Approximately 745 sq.m.	Land use rights for 50 years from 22 March 1994	Commercial
Office Units 725-729 on Level 7 and 917 on Level 9, Junefield Plaza Office Tower II, No. 10 Xuan Wu Men Wai Main Street, Beijing, the PRC.	Approximately 744 sq.m.	Land use rights for 50 years from 22 March 1994	Commercial

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
REVENUE	**213,070**	120,006	32,095	15,078	27,578
Operating profit/(loss)	**45,337**	22,412	13,231	(10,254)	(10,769)
Finance costs	**(7,943)**	(3,180)	(6,456)	(6,933)	(8,225)
Gain on disposal of subsidiaries	**165**	18,454	—	—	—
Share of profit of a jointly-controlled entity	**96,980**	86,093	88,205	64,639	26,731
Profit before tax from continuing operations	**134,539**	123,779	94,980	47,452	7,737
Income tax	**(15,013)**	(9,911)	(2,908)	—	8
Profit for the year from continuing operations	**119,526**	113,868	92,072	47,452	7,745
Loss for the year from a discontinued operation	**—**	—	(1,589)	(3,161)	—
Profit for the year	**119,526**	113,868	90,483	44,291	7,745
Attributable to:					
Owners of the Company	**104,903**	108,692	90,483	44,291	7,745
Non-controlling interests	**14,623**	5,176	—	—	—
	119,526	113,868	90,483	44,291	7,745

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Property, plant and equipment	**236,494**	202,250	2,727	2,246	2,280
Investment properties	**30,645**	16,988	16,986	—	—
Prepaid land lease payments	**23,977**	553	548	578	564
Other intangible asset	**151,220**	159,677	—	—	—
Deposit for acquisition of land use rights	**—**	9,625	—	—	—
Investment in a jointly-controlled entity	**83,554**	82,104	219,610	131,405	66,766
Net current assets/(liabilities)	**73,881**	52,884	(139,389)	(125,159)	(41,765)
Non-current liabilities	**(110,895)**	(136,110)	(9,575)	(7,813)	(69,763)
Non-controlling interests	**(112,536)**	(95,613)	—	—	—
Equity attributable to owners of the Company	**376,340**	292,358	90,907	1,257	(41,918)