CIAM Group Limited
事安集團有限公司
HKSE 0378

Subsidiary of CITIC International Assets Management Limited

Annual Report 2010

Contents

Corporate Information

Board of Directors

Dou Jianzhong *(Chairman)*
Lo Wing Yat Kelvin
(Executive Vice-chairman and Chief Executive Officer)
Yip Chi Chiu
Lu Zhicheng*
Carolyn Anne Prowse*
Graham Roderick Walker*
Wong Yau Kar David*
Zhao Tieliu*
Hung Chi Yuen Andrew**
Sit Fung Shuen Victor**
Toh Hock Ghim**

* Non-executive Director
** Independent Non-executive Director

Audit Committee

Hung Chi Yuen Andrew *(Chairman)*
Sit Fung Shuen Victor
Toh Hock Ghim
Graham Roderick Walker

Nomination and Remuneration Committee

Toh Hock Ghim *(Chairman)*
Dou Jianzhong
Hung Chi Yuen Andrew
Sit Fung Shuen Victor

Conflict Committee

Sit Fung Shuen Victor *(Chairman)*
Hung Chi Yuen Andrew
Toh Hock Ghim

Company Secretary

Wong Yuen Ching Kyna

Auditors

KPMG

Registered Office

Canon's Court, 22 Victoria Street,
Hamilton HM 12, Bermuda.

Principal Place of Business in Hong Kong

23rd Floor, Bank of America Tower,
12 Harcourt Road, Central, Hong Kong.
Tel: (852) 2843 0290
Fax: (852) 2525 3688

Principal Share Registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM 08, Bermuda.

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Hong Kong.
Tel: (852) 2862 8628
Fax: (852) 2865 0990

Stock Code

378

Website

www.ciamgroup.com

Board of Directors

Dou Jianzhong

Chairman

- Has extensive experience in the finance industry, and was granted the prestigious title of "Senior Economist" by CITIC Group
- Aged 56. Appointed as a Director and elected as the Chairman on 31 May 2008, and also a member of the Nomination and Remuneration Committee of the Company
- Executive Director and Vice President of CITIC Group
- Vice Chairman of CITIC Holdings Limited
- Non-executive Director and former President of China CITIC Bank Corporation Limited, shares of which are listed on the Hong Kong Stock Exchange
- Executive Director and Chief Executive Officer of CITIC International Financial Holdings Limited
- Director of CITIC International Assets Management Limited
- Chairman of CITIC Bank International Limited
- Chairman of CITIC Prudential Life Insurance Co., Ltd.
- Graduated from the University of International Business and Economics, Beijing in 1979 and obtained a Master Degree in Economics from Liao Ning University

Lo Wing Yat Kelvin

Executive Vice-chairman and Chief Executive Officer

- Has a well-seasoned legal background which specialised in banking and project financing primarily in the PRC
- Aged 52. Appointed as an Executive Director on 23 April 2008, and also designated as the Executive Vice-chairman and Chief Executive Officer of the Company on 31 May 2008
- Director and Chief Executive Officer of CITIC International Assets Management Limited
- Director and Managing Director of CITIC International Financial Holdings Limited
- Executive Director of Thunder Sky Battery Limited and Independent Non-executive Director of Winteam Pharmaceutical Group Limited, both being companies whose shares are listed on the Hong Kong Stock Exchange
- Worked in the Bank of China Hongkong-Macau Regional Office as an in-house Counsel and was a partner of Messrs Linklaters
- Graduated from The University of Hong Kong with a Bachelor's Degree in Laws and obtained his legal qualification in 1984 as a Solicitor of the Supreme Court of Hong Kong and subsequently, as a Solicitor of the Supreme Court of England and Wales in 1989

Yip Chi Chiu

Executive Director

- Has engaged in merchant banking industry in the Greater China for over 22 years
- Aged 52. Appointed as an Executive Director of the Company on 23 April 2008
- Director and Deputy Chief Executive Officer of CITIC International Assets Management Limited
- Founder, Director and Chief Executive Officer of Asset Managers (Asia) Company Limited and is responsible for the formation of overall policy, corporate planning and business development and overall strategic direction
- Held a number of senior positions in various financial institutions, including the position of Managing Director of VC CEF Capital Limited (now known as VC Capital Limited) and the Deputy General Manager of The Long-Term Credit Bank of Japan, Limited (now known as Shinsei Bank, Limited) – Hong Kong Branch
- Graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Economics

Lu Zhicheng

Non-executive Director

- Has over 30 years' experience in professional teaching, management and investment
- Aged 62. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Vice Chairman and President of Tsinghua Tongfang Co., Ltd. ("THTF") (the holding company of Resuccess and is listed on the Shanghai Stock Exchange), in charge of the high level management functions including strategic planning, financing, investment and coordination with the government authorities
- Chairman of Tellhow Sci-Tech Co. Ltd (listed on the Shanghai Stock Exchange) and Tangshan Jingyuan Yufeng Electronics Co., Ltd. (listed on the Shenzhen Stock Exchange)
- Started his professional career in Tsinghua University, both in education and scientific research in the field of computer controlled artificial environment, and his research results had been confirmed by winning various provincial, ministerial and national technological progress awards during the period.
- One of the founders of Beijing Tsinghua Artificial Environmental Engineering Co. which was established in 1989. In 1997, this company was restructured with some other companies holding by Tsinghua University and formed THTF. THTF has been listed on the Shanghai Stock Exchange and became a comprehensive company engaging in the business of computer, information applications, environmental protection and digital media.
- Obtained his Bachelor and Master's degrees in Thermal Engineering from Tsinghua University and was a professor of Tsinghua University.

Carolyn Anne Prowse

Non-executive Director

- An investment banker with both strategy and corporate finance expertise and a background in both major global corporation and management consultancy
- Aged 38. Appointed as a Non-executive Director of the Company on 2 November 2009
- Director of CITIC International Assets Management Limited
- Currently the Head of Asset Management Department of Ithmaar Bank B.S.C. (a licenced Islamic Retail and Commercial Bank located in the Middle East and listed on the Bahrain Stock Exchange and on the Kuwait Stock Exchange)
- Holds a BA (Hons.) degree in Chemistry from the Oxford University

Graham Roderick Walker

Non-executive Director

- Worked in Europe, North America and Asia, has a wide range of experience in banking and financial services
- Aged 64. Appointed as a Non-executive Director and a member of the Audit Committee of the Company on 1 July 2008
- Director of CITIC International Assets Management Limited
- Executive Vice-President and Group Head of Finance and Risk Management of Dar Al-Maal Al-Islami Trust and a Director of Faysal Bank Limited
- Previously the Finance Director of Ithmaar Bank B.S.C.
- Held various senior management positions with a number of major international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Foreign & Colonial Management Limited
- Member of the Institute of Chartered Accountants of Scotland

Wong Yau Kar David

Non-executive Director

- Has extensive experience in direct investments and corporate finance
- Aged 53. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Managing Director of United Overseas Investments Limited, an Independent Non-executive Director of Media China Corporation Limited and China WindPower Group Limited (both companies whose shares are listed on the Hong Kong Stock Exchange)
- Participates actively in public services, President of The Chinese Manufacturers' Association of Hong Kong, Council Member of the Hong Kong Institute of Directors and Council Member of the Hong Kong Trade Development Council.
- Obtained his Ph. D in Economics from University of Chicago and previously served as an Economist at the Federal Reserve Bank of Philadelphia

Zhao Tieliu

Non-executive Director

- Currently an Executive Director and Managing Director of Sanyuan Group Limited
- Aged 53. Appointed as a Non-executive Director of the Company on 15 July 2009
- President of Weida Applied Technology Company Limited (listed on the Shenzhen Stock Exchange) from early 2001 to the end of 2003 and was responsible for overseeing its operation and formulating its overall corporate strategy
- Held positions in Tianjin University of Finance and Economics as lecturer, the Department of Accounting as deputy dean, and as division director of the Futures Supervision Division and Intermediary Supervision Division of China Securities Regulatory Commission at the Tianjin Regulatory Bureau
- Graduated from Tianjin University of Finance and Economics with a Bachelor degree of Economics in 1984 and obtained a Master degree in Business Administration from Oklahoma City University, USA in 1990

Hung Chi Yuen Andrew

Independent Non-executive Director

- Practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Association of Certified Accountants
- Aged 42. Appointed as the Company's Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Conflict Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Currently the Principal of Richo Business Development Co.
- Previously worked in UBS Investment Bank for 7 years as business unit controller
- Received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993
- Holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree of Applied Finance from University of Western Sydney

Sit Fung Shuen Victor
Independent Non-executive Director

- Founding Director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University
- Aged 63. Appointed as the Company's Independent Non-executive Director, the Chairman of the Conflict Committee, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Independent Non-executive Director of Asia Energy Logistics Group Limited, whose shares are listed on the Hong Kong Stock Exchange
- Professor of the Department of Geography from 1977 to 2007 and the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong
- The Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in mainland China
- Professional and community services:
  - Advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988)
  - Advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991)
  - Deputy of the National People's Congress of the PRC (1993-2008)
  - Advisor to the Governor of Guangdong Province of the PRC (2000-2005)
  - Former Member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government

Toh Hok Ghim
Independent Non-executive Director

- Aged 68. Appointed as the Company's Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Conflict Committee on 1 July 2008
- Joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong Special Administrative Region ("SAR") and Macau SAR
- Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007
- Appointed as the Senior Advisor to the Ministry of Foreign Affairs upon retirement from the foreign service at the end of 2007
- Chairman of Equation Corporation Limited and WesTech Electronics Limited, both being Singapore-listed companies
- Obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore

Chairman's Statement

On behalf of the Board of Directors and the Management, I am pleased to present the annual report with the final results and the audited financial statements of CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

In 2010, the global economy was still subject to various uncertainties in the midst of a gradual recovery. In response to the intensified inflation and uplifted industrial prices, the Central government have launched various strategies including price adjustment or anti-inflation policies. During the year, despite of those uncertainties, the Group has also strived to strengthen our business structure and foundations and screen quality projects while actively explore the "Green-related" development opportunities. All in all, our "Green" business attained reasonable returns under our endeavour in the year.

Among the Group's direct investments in the environmental friendly projects, Huaneng Shouguang Wind Power Company Limited has commenced operations and has contributed stable and sustainable revenues to the Group during the year. Sun.King Power Electronics Group Limited, a pre-IPO investment made last year, has been successfully listed in Hong Kong and is expected to generate promising return for the Group in the coming two years. Besides, the Group made an investment in a wind blade manufacturer in mainland China during the year by way of loan financing which the Group may consider to proceed acquisition in order to build up a long-term investment portfolio under our Green strategy. On the other hand, the Management is currently conducting in-depth studies on several green projects to build up the "Green Platform" and decisions are expected to be made within this year.

In the next two to three years, mainland China will undergo an active investment stage under the Twelfth Five Years Plan. The seven pillar industries named in the Plan, especially the new energy industry and the energy conservation and environmental protection industry are the pivot to our long established "Green and Growth" philosophy. By integrating with the market development, leveraging on the Group resources and networks among our shareholders as well as continuing nurture new profit generators with our strategic partners, we are committed to create sustainable value and profitability for our customers and shareholders.

Dou Jianzhong
Chairman

Management Discussion and Analysis

2010 was another challenging year for CIAM Group Limited (the "Company") in the midst of such a dynamic global economy. We continued to be cautious in selecting the right investments and identifying the right operating partners to help us developing our investment portfolio. Thanks to the support from our major shareholder, CITIC International Assets Management Limited ("CIAM Parent"), we are opened up to better deal sources and can provide a wider perspectives to investee companies on co-developing their business, being more than a passive financial investor. Below is a brief summary of what we have achieved in 2010 to pave for the way going forward, as a bigger 'Green' investment platform with solid operating partners.

Investments in environmental friendly businesses

Our investment in Huaneng Shouguang Wind Power Company Limited ("Huaneng Shouguang"), which operates 49.5MW wind farm, contributed HK$18 million profits in the year to our Group which represents an IRR of approximately 17%. Such return exceeded our original target. The impressive contribution from this wind farm project confirmed our investment strategy in investing in green energy projects with good partner can provide long-term and stable profits to our Group. In the year ahead, we will actively seek for similar investment opportunities in wind farm or related segments, again with strong operators as partners.

Our pre-IPO investment in Sun.King Power Electronics Group Limited ("Sun King") made in 2009, an electric power and traction sectors company which focused on producing electronic components used in railway system, also contributed good return in 2010. Sun King was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 October 2010, the Group recorded a realized gain of HK$16 million from disposal of 12 million Sun King shares upon exercise of over-allotment option by the international purchasers. There were 28 million Sun King shares, with unrealized gain of HK$41 million held by the Group as at 31 December 2010 which are subject to a 6-month lock-up period, until April 2011. We will continue to seek for quality investment opportunities in similar sector in 2011.

Short-term financing/investments

We consistently applied our investment approach in managing our investment portfolio, breaking down into short, medium and longer terms investment tenor to provide returns to the Group at different period of time. The Management continued making suitable short-term investments which provided reasonable returns in 2010.

As disclosed in our announcement published in August 2010, our Group signed a loan facility agreement with a wind blade manufacturer, namely Century Energy Pte. Ltd. ("Century Energy") located in Dezhou, the People's Republic of China ("PRC"). Under such agreement, our Group has provided an RMB100 million (equivalent to HK$114 million) loan to Century Energy for a 24-month period with annual interest rate at 20%. Together with the loan facility agreement, our Group also signed a Memorandum of Understanding for the possible sale and purchase arrangement with Century Energy and its existing shareholders. According to the agreed payment schedule, Century Energy will make full repayment with interest in August 2012. The said potential sale and purchase arrangement is still open for consideration. Apart from normal investment risk and return consideration, the Group will consider the synergy of this potential acquisition with other existing wind related investments or investment opportunities, as well as the longer investment strategy of the Group in order to make up a reasonable mix of investments under our Green portfolio.

In the first half of the year, the Group completed an RMB30 million (equivalent to HK$35 million) entrusted loan transaction in mainland China with a gross return of 20% per annum for twenty-four months. We expect to make a total of HK$20 million interest and advisory fee income from this project.

In October 2010, the Group entered into another transaction, according to which the Group agreed to make funds in the amount of RMB50 million (equivalent to HK$59 million) available to a mining company located in the Yunnan province through entrusted loans and other financing arrangements. This loan arrangement will expire in October 2012 and we expect to make approximately HK$35 million revenue, including interest and advisory fee derived from this project.

The Group has invested a small portion of its idle funds in a relatively liquid fund managed by an independent asset manager which focused on product investment on capital markets and treasury products. The Management aims to enhance the yield on our idle fund and therefore will continue this investment in the year ahead in order to make reasonable short-term returns while at the same time, continues to seek for appropriate investment opportunities.

Asset under management ("AUM")

CITIC XINYI SME Development Pooled Fund Trust Plan No. 1 ("Xinyi Fund") and Henan Agricultural Development Industrial Investment Fund ("Henan Agricultural Fund"): After the successful launch of these two funds in the past years, Xinyi Fund has been fully invested and Henan Agricultural Fund has made or is making investments that accounted for over 50% of the target amount.

As we mentioned in our 2010 interim results announcement, there was change in fiscal policy on RMB trust plan in mainland China which reduced the attractiveness of this business in the Group due to its increasing capital intensity requirement and the uncertainty on further fiscal policy changes which may effectively move into a more complex regulated environment. Due to the structure of RMB trust plan, Xinyi Fund or similar RMB trust plan can hardly be themed as an environmental fund. After taking into consideration of various factors quoted above, the Management is seriously considering the disposal of Xinyi Fund. The proceeds from the disposal can be routed to support other direct investments which we have plenty of deals under review. With the current asset size of the Group, the consolidation and re-allocation of resources are critical if we aim to impress our shareholders or other potential investors with a meaningful investment portfolio.

With similar considerations, the Management is also seriously considering the disposal of Henan Agricultural Fund together with Xinyi Fund. Due to high initial running costs and longer tenor on return from AUM business in general, shifting the Group's investments in AUM business to other 'Green' related direct investments is one of the options that can make better use of our resources in both monetary and human resources terms. Various feasibility studies are currently undergoing to determine the appropriate combination of the Group's investment portfolio. The Management will provide further updates to our shareholders on the final proposal once the same is approved by our Board.

The negotiation of the disposal of Xinyi Fund and Henan Agricultural Fund is in progress and formal agreements will be entered into when the terms are finalized between the parties.

CIAM Hitech Energy Fund ("Hitech Fund"): This is the fund we intend to maintain in the Group due to its industry focus in alignment with our Group 'Green' theme. Hitech Fund is ready to commence business as soon as we agree the investment strategy with our partners. Our emphasis is again to have this fund focusing on environmental protection related businesses which match with our Green theme.

Results of the Group

For the year ended 31 December 2010, the Group's profit attributable to equity shareholders of the Company amounted to HK$44 million (2009: HK$64 million), representing 9% return on HK$497 million net assets excluding free cash of HK$198 million at balance sheet date, and earnings per share was HK$0.0993 (2009: HK$0.1479).

During the year under review, two major revenues came from the investments discussed earlier. They are the direct investment in Huaneng Shouguang and the pre-IPO investment in Sun King. The Group also recorded approximately HK$14 million advisory fee income and interest income from entrusted loan transactions in mainland China.

In accordance with the Inter-companies Services and Cost Allocation Agreement ("Services Agreement") made between CIAM Parent and the Company, the Group is expected to receive management fee income of HK$46 million from CIAM Parent. The Group's net expenses were approximately HK$60 million for the year 2010.

Financial position

As at 31 December 2010, the Group's total assets were HK$869 million, including HK$304 million free cash and pledged bank deposits. The secured bank loans of HK$94 million are arranged for project financing which were pledged by the bank deposits of HK$107 million. The net asset per share increased to HK$1.56 (31 December 2009: HK$1.41).

Currency exposure and exchange risk

As at 31 December 2010, the Group had no material exposure to foreign exchange other than Renminbi, since the majority of the Group's assets, except for certain foreign currencies bank deposits and fund investments, were denominated in either Hong Kong dollars or Renminbi. The Management does not consider there to be any significant currency risk given the general market view for the possible revaluation of Renminbi. Nevertheless, the Management will closely monitor the situation if hedging is needed for such exposure.

Liquidity and interest risk exposure

As at 31 December 2010, the current borrowings were all related to project financing which was secured by pledged cash deposit. The Group is of sound liquidity and held HK$198 million free cash and marketable securities of HK$68 million on hand at balance sheet date. With the settlement of all project financing in 2011 and the third quarter in 2012, the Group will further enhance its liquidity position. The Group will also consider raising external financing in alignment with any investment activities when necessary.

Contingent liabilities and pledge of assets

As at 31 December 2010, the Group had no contingent liabilities identified.

As at 31 December 2010, the Group pledged HK$107 million deposits with banks in order to secure bank borrowings of HK$94 million.

Human resources

The Group continues to adopt the incentive scheme to reward staff in accordance with their performance. The appraisal of performance and allocation of discretionary bonus will be linked to the targets which were agreed at the beginning of the year. Our carried interest scheme, under the master incentive scheme, will reward staff who can contribute significant return to the Group through his/her responsible investments. Half of the share options granted in 2009 have been exercisable since September 2010, until September 2012. The remaining share options will be exercisable from September 2011. We engaged an independent consultancy firm to provide market data on salary and compensation under financial industry. The Group and the Management annually reviewed the compensation approach and reward level to staff, aiming to best align with the market, on the top of performance consideration.

The Group is currently engaging approximately 60 employees serving the Group as well as its major shareholder CIAM Parent under the Services Agreement. Half of the employees are investment related professional staff and the remaining are management, mid-to-back office support staff. The original intention of the Services Agreement arrangement was to consolidate the headcounts from CIAM Parent together with the Group, in order to secure the immediate available expertise from CIAM Parent on investment business and to achieve maximum efficiency on human resource utilization. Approximately 54% of the staff costs in 2010 was reimbursed from CIAM Parent in accordance with the Services Agreement. The Management expects the Group will gradually take up less management and support resources from this employee pool due to further fine tuning and focusing of the Group business. The intention to dispose some of the non-environmental protection related AUM businesses can also help to reduce the engagement of investment related professional staff going forward. The aggregation of the above two factors will result in lower staff costs sharing ratio in 2011, in accordance with the Services Agreement.

Retention of performing staff, attraction of new talents, strong demand on capital markets and investment related talents, as well as inflation are all major challenges that we have been facing since the recovery of economy in 2010, especially in Asia including Hong Kong and mainland China. We expect the same challenges in 2011, if not severe than 2010. All these factors inevitably contribute to upward pressure on staff costs and overhead to the Group in 2011 which the Management need to deal with seriously.

Inter-companies services and cost allocation agreement

The Services Agreement will expire in November 2011. The Management is reviewing various options to leverage the resources from CIAM Parent in carrying out the direct investment and asset management business in the Group, at the same time trying to minimize the human resources and overhead costs of the Group. Our new plan will also take into consideration the possible new resources coming from our operating partners in the investee company, so as to maximize the efficiency of different teams at different levels to run our investment portfolio.

Internal control

The Group has engaged Grant Thornton Hong Kong ("GT" which subsequently merged its business and practices in the name of BDO Limited with effect from 23 November 2010), to provide internal audit services on a regular basis to ensure our policy and procedure are implemented in a quality level with strong management and control to minimize operational risks. On an ad hoc basis, we have engaged GT in 2010 to evaluate the internal control environment of the Group's PRC operations. The results of the review were encouraging as to evidence management understands the needs of the PRC operations and how to practically minimize the operational risks at remote local office level.

Outlook

The commitment from Chinese government on developing green industry and low-carbon economy is evident in its Twelfth Five Years Plan. With the firm government commitment and foreseeable strong market demand for renewable energy and other environmental protection related projects, the Group will continue to take advantage of the extensive business network of its controlling shareholder, CIAM Parent, to source better investment opportunities despite the heated competitions among both international and domestic investors. In 2011, the Group will also continue to actively seek partnership opportunities with major local and international players in various green sectors. The Management has the confidence to finish building up its portfolio with a meaningful scale within 2011, which will be the solid foundation affording a steady and reasonable return to our shareholders.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

CIAM Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries of the Company are set out in note 15 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 13 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 43 to 155.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of HK$43,938,000 (2009: HK$67,147,000) have been transferred to reserves. Details of movements in reserves are set out in the consolidated statement of changes in equity.

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$500,000 (2009: HK$41,100).

BANK LOANS

Particulars of bank loans of the Company and the Group as at 31 December 2010 are set out in note 27 to the financial statements.

FIXED ASSETS

Details of movements in fixed assets are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 29(c) to the financial statements. No shares were issued for the year ended 31 December 2010.

During the year ended 31 December 2009, pursuant to a placing agreement, the Company issued 44,000,000 new shares of HK$1 each to an independent private investor.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2010, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS

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

Chairman
Dou Jianzhong

Executive Vice-chairman
Lo Wing Yat Kelvin

Executive director
Yip Chi Chiu

Non-executive directors
Lu Zhicheng
Carolyn Anne Prowse
Graham Roderick Walker
Wong Yau Kar David
Zhao Tieliu

Independent non-executive directors
Hung Chi Yuen Andrew
Sit Fung Shuen Victor
Toh Hock Ghim

On 1 April 2010, Mr. Fung Ka Pun resigned as Director and Vice-chairman of the Company.

In accordance with Bye-law 87 of the Bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Messrs. Lo Wing Yat Kelvin, Yip Chi Chiu, Hung Chi Yuen Andrew and Zhao Tieliu shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

There is no service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than normal statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all the independent non-executive directors are independent in accordance with the term of the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in the Appendix 10 to the Listing Rules were as follows:

Name of director/ chief executive	Number of shares Personal interests	Number of underlying shares held under equity derivative *(Note)*	Total	Approximate percentage of issued share capital
Dou Jianzhong	–	2,500,000	2,500,000	0.56%
Hung Chi Yuen Andrew	–	400,000	400,000	0.09%
Lo Wing Yat Kelvin	35,000	3,800,000	3,835,000	0.86%
Lu Zhicheng	–	400,000	400,000	0.09%
Sit Fung Shuen Victor	–	400,000	400,000	0.09%
Toh Hock Ghim	–	400,000	400,000	0.09%
Graham Roderick Walker	–	800,000	800,000	0.18%
Wong Yau Kar David	–	400,000	400,000	0.09%
Yip Chi Chiu	–	800,000	800,000	0.18%
Zhao Tieliu	–	400,000	400,000	0.09%

Note: These interests represented the interest in underlying shares in respect of the share options granted by the Company under its share options scheme adopted on 12 October 2007 to these directors as beneficial owners, further details of which are set out in note 30 to the financial statements.

Save as disclosed above, as at 31 December 2010, none of the directors or chief executive of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 12 October 2007 (the "Scheme") and movements of the share options during the year are set out in note 30 to the financial statements.

Information on the accounting policy for share options granted is provided in note 1(m)(iii) to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the Scheme, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, so far as was known to the directors and the chief executive of the Company, the following persons (other than any director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	**Capacity**	**Number of shares held**	**Approximate percentage of issued share capital** *(Note 1)*
Right Precious Limited ("RPL")	Beneficial owner	323,555,154	72.77%
CITIC International Assets Management Limited ("CIAM Parent")	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
CITIC International Financial Holdings Limited ("CIFH")	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
China CITIC Bank Corporation Limited ("CNCB")	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
CITIC Group	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
Dundee Greentech Limited ("Dundee Greentech")	Beneficial owner	44,000,000	9.90%

Name of shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital *(Note 1)*
Dundee Energy Limited (“Dundee Energy”)	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
Radiant Enterprises Group Limited (“Radiant”)	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
The Dundee Merchant Bank (“Dundee Merchant”)	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
Liu Hailong	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
Dundee Corporation	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%

Notes:

(1) The percentages are calculated based on the total number of issued shares of the Company of 444,633,217 shares as at 31 December 2010.

(2) By virtue of the SFO, CIAM Parent, CIFH, CNCB and CITIC Group are deemed to be interested in 323,555,154 shares held by RPL. RPL is a wholly-owned subsidiary of CIAM Parent which CIFH owns 40%. CIFH is 70.32% owned by CNCB which, in turn is 67.26% owned by CITIC Group.

(3) Dundee Greentech is a wholly-owned subsidiary of Dundee Energy which, in turn, is 50% owned by Radiant and 50% owned by Dundee Merchant. Radiant is 100% owned by Liu Hailong while Dundee Merchant is 100% owned by Dundee Corporation. By virtue of the SFO, Dundee Energy, Radiant, Dundee Merchant, Liu Hailong and Dundee Corporation are all deemed to be interested in 44,000,000 shares of the Company.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover. The Group had no major supplier due to the nature of principal activities of the Group.

CONTINUING CONNECTED TRANSACTIONS

On 14 October 2008, the Company entered into an Inter-companies Services and Cost Allocation Agreement ("Services Agreement") with CIAM Parent pursuant to which the Group would provide certain services to CIAM Parent and its subsidiaries (other than the Group) ("CIAM Parent Group") including the investment and asset management services, business development and management services, administration, finance, compliance and operational services (the "Services") for a term of three years commencing 1 December 2008.

CIAM Parent would pay the fee in cash for the Services ("Fee") in accordance with the relevant terms and conditions set out in the Services Agreement to the Company during the period when Services are provided by the Group to CIAM Parent Group. The annual limits on the aggregate Fee payable by CIAM Parent to the Company ("Caps") are as follows:

(i) HK$9,000,000 for 1 month ended 31 December 2008;

(ii) HK$43,000,000 for 12 months ended 31 December 2009;

(iii) HK$49,000,000 for 12 months ending 31 December 2010; and

(iv) HK$43,000,000 for 11 months ending 30 November 2011.

As CIAM Parent is a substantial shareholder and connected person (as defined in the Listing Rules) of the Company, the provision of the Services by the Group to CIAM Parent has constituted continuing connected transactions of the Company ("Continuing Connected Transactions"). As the relevant percentage ratios applicable to the Services Agreement exceeded 2.5% and the aggregate annual Fee was expected to be more than HK$10,000,000, the Continuing Connected Transactions and the Caps mentioned above were submitted to and approved by the independent shareholders at the special general meeting of the Company held on 27 November 2008.

The Continuing Connected Transactions were conducted on normal commercial terms determined at arm's length negotiations having considered the estimated utilisation of staff time and number of headcount of the Group providing the Services. Pursuant to the Services Agreement, the aggregate Fee for the Continuing Connected Transactions paid and to be paid by CIAM Parent for the year ended 31 December 2010 was approximately HK$18,150,000 which did not exceed the Cap mentioned above.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors of the Company engaged the external auditors of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions under the Services Agreement with CIAM Parent Group which were entered into during the year. The external auditors have reported their factual findings arising from these procedures to the Board of Directors.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the transactions were entered into by the Group in its ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, if identified, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DISCLOSURE UNDER RULES 13.13 AND 13.20 OF THE LISTING RULES

During the year ended 31 December 2010, the Group has provided the following loans, each of which constituted an advance to an entity discloseable under Rules 13.13 and 13.20 of the Listing Rules as the transaction amount of each loan exceeded 8% under the asset ratio as defined under Rule 14.07 of the Listing Rules as at 31 December 2010.

(a) Pursuant to the Loan Agreement dated 11 August 2010 executed between Common Ray Limited ("Common Ray"), a wholly owned subsidiary of the Company, and Century Energy Pte. Ltd. ("Century Energy"), Common Ray has provided to Century Energy a loan in the principal amount of RMB100,000,000 for a period of 2 years at an interest rate of 20% per annum, which is repayable on the second anniversary of the date of drawdown on 19 August 2010.

(b) Pursuant to the Entrusted Loan Agreement dated 27 September 2010 executed between 逸百年投資諮詢(深圳)有限公司 (YBN Investment Consulting Limited) ("YBN"), a wholly owned subsidiary of the Company, and 雲龍縣鴻信礦業有限公司 (Yun Long Xian Hong Xin Mining Limited) ("Yun Long"), YBN has provided to Yun Long a loan in the principal amount of RMB50,000,000 through entrusted arrangement for a period 2 years at an interest rate of 19% per annum, which is repayable according to the payment schedule as mentioned therein and will expire in October 2012.

Further details of the above loans have been disclosed in the Company's circulars dated 31 August 2010 and 6 October 2010 respectively.

SUFFICIENCY OF PUBLIC FLOAT

Based on the 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, the Company has maintained the prescribed public float under the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 156 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund scheme and an Occupational Retirement Scheme. Particulars of these retirement schemes are set out in note 31 to the financial statements.

MANAGEMENT CONTRACT

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

AUDITORS

Deloitte Touche Tohmastu acted as the auditors of the Company in respect of the financial years ended 31 December 2008 and 2009 and retired at the annual general meeting of the Company held on 1 June 2010. KPMG has been appointed as auditors of the Company to fill the casual vacancy following the retirement of Deloitte Touche Tohmastu with effect from 1 June 2010.

The financial statements of the Company for the year ended 31 December 2010 have been audited by KPMG, who shall retire upon the conclusion of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Dou Jianzhong
Chairman

Hong Kong, 18 March 2011

Corporate Governance Report

CIAM Group Limited (the "Company") is committed to maintaining high standards of corporate governance. Throughout the year ended 31 December 2010, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviations discussed in the relevant paragraphs below.

(A) Directors' Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors of the Company have complied with the required standard as set out in the aforesaid model code throughout the year of 2010.

(B) Board of Directors

Composition and Role

The Board of Directors (the "Board") comprised of eleven members, consisting of the Chairman, the Executive Vice-chairman, the Executive Director, five Non-executive Directors and three Independent Non-executive Directors. All the Independent Non-executive Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence. The name and brief biographical details of the Directors are shown in the "Board of Directors" section of this Annual Report.

The Board is responsible for overseeing the strategic development of the Company and its subsidiaries (the "Group") and for determining the objectives, strategies, policies and business plan of the Group. It has delegated the responsibility of the day-to-day operation and management to the Management of the Company. In addition to its overall supervisory role, the Board retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving capital raising activities, approving policies and codes as required by regulators, etc.

Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed. Directors, should they believe it to be necessary, may also seek independent professional advice at the Company's expense.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Each Director may request the inclusion of matters in the agenda for Board meetings. The Chairman also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at Board meetings. Senior executives of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all times the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the year ended 31 December 2010, four board meetings were held. The attendance record of individual Directors is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a Director of the Company.

Name	**Attendance**
Chairman	
Dou Jianzhong	3/(4)
Executive Vice-chairman	
Lo Wing Yat Kelvin	4/(4)
Executive Director	
Yip Chi Chiu	4/(4)

Name	Attendance
Non-executive Directors	
Lu Zhicheng	3/(4)
Carolyn Anne Prowse	4/(4)
Graham Roderick Walker	4/(4)
Wong Yau Kar David	4/(4)
Zhao Tieliu	0/(4)
Independent Non-executive Directors	
Hung Chi Yuen Andrew	4/(4)
Sit Fung Shuen Victor	3/(4)
Toh Hock Ghim	4/(4)
Ex Director	
Fung Ka Pun (resigned on 1 April 2010)	1/(1)

The Company Secretary is responsible for taking minutes of the Board meetings and meetings of the Board Committees. The minutes record in sufficient details the matters considered by the Board and the Board Committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. All such minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer

Mr. Dou Jianzhong is the Chairman and Mr. Lo Wing Yat Kelvin is the Chief Executive Officer ("CEO") of the Company. The roles of Chairman and CEO are segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the CEO, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

Non-executive Directors

The Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for such a specific term. Instead, same as for all other Directors of the Company, the Non-executive Directors are subject to the retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The Directors believe that subjecting the Non-executive Directors to retirement by rotation and re-election achieves the intended aims of the Code.

(C) Nomination and Remuneration Committee

The Company has set up a Nomination and Remuneration Committee (the "N&R Committee") in July 2008 which comprises the three Independent Non-executive Directors and the Chairman of the Company and is chaired by Mr. Toh Hock Ghim.

The roles and responsibilities of the N&R Committee, as set out in its terms of reference, are published on the Company's website. These primarily include: identifying and nominating qualified individuals to the Board for appointment as Directors and the CEO of the Company; making recommendations to the Board on directors' fees; reviewing and approving the policies and mechanism in relation to the appointment or termination of, remuneration or compensation to, and the succession plans for the senior executives of the Company; and reviewing and approving performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The members of the N&R Committee shall not vote in decisions concerning each of their own remuneration or any other matters which he has any direct or indirect interest. All Non-executive Directors of the Company have the right to attend the meetings of the N&R Committee. The composition and the terms of reference of the N&R Committee shall be reviewed from time to time.

During the year ended 31 December 2010, one N&R Committee meeting was held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the N&R Committee.

Name	Attendance
Toh Hock Ghim *(Chairman)*	1/(1)
Dou Jianzhong	1/(1)
Hung Chi Yuen Andrew	1/(1)
Sit Fung Shuen Victor	1/(1)

(D) Internal control

The Board is ultimately responsible for maintaining a sound and effective systems of internal control and risk management of the Group. Procedures have been designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Investment Committee has been formed to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on an ad hoc basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Company.

BDO Financial Services Limited (formerly known as Grant Thornton Specialist Services Limited) has been engaged as the internal auditors of the Company to conduct independent examination and evaluation on the adequacy and effectiveness of the Group's internal control system on an on-going basis. The internal auditors develop a risk-based annual audit plan for regular audits for each calendar year. Such audit plan is reviewed and approved by the Audit Committee. The audits cover all material controls, including financial, operational and compliance controls as well as risk management functions. Special audit may be conducted when necessary. The internal auditors report regularly to the Audit Committee about the audit work done as compared with the annual audit plan and highlight any significant findings or issues to the Audit Committee. The Audit Committee will then review the findings and report to the Board for attention and appropriate action.

(E) Audit Committee

The current composition of the Audit Committee consists of the three Independent Non-executive Directors and one Non-executive Director of the Company. Mr. Hung Chi Yuen Andrew, the chairman of the Committee, possesses a professional accountancy qualification and has substantial experience in accounting and financial matters. The authority and duties of the Audit Committee, as set out in the terms of reference, are published on the Company's website.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's internal and external auditors in matters within the scope of the group audit.

The Audit Committee meets regularly with the senior management, the external and internal auditors to consider and discuss the Group's financial reporting process, systems of internal control and compliance. It is also responsible for considering the appointment of the external auditors and the audit fee, and discussing with the external and internal auditors the nature and scope of audit before any audit commences. In addition, it discusses matters raised by the internal auditors and external auditors to ensure that appropriate recommendations are implemented.

During the year ended 31 December 2010, three Audit Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the Audit Committee.

Name	**Attendance**
Hung Chi Yuen Andrew *(Chairman)*	3/(3)
Sit Fung Shuen Victor	3/(3)
Toh Hock Ghim	2/(3)
Graham Roderick Walker	3/(3)

(F) Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements for each financial period and for ensuring that they give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2010, the Directors, with the assistance of the Management and the external auditors, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent, and prepared the accounts on the going concern basis.

Deloitte Touche Tohmatsu acted as the external auditors of the Company in respect of the financial years ended 31 December 2008 and 2009 and retired at the annual general meeting of the Company held on 1 June 2010. In consideration of improving overall efficiency with a more streamlined audit process and reduction in cost in terms of management time and professional fees, KPMG has been appointed as auditors of the Company to fill the casual vacancy following the retirement of Deloitte Touche Tohmatsu with effect from 1 June 2010.

The financial statements of the Company for the year ended 31 December 2010 have been audited by KPMG. For 2010, fees charged by KPMG for audit services amounted to HK$700,000 and for non-audit services including review of interim financial statements, tax advisory services and other services was HK$1,847,000.

(G) Communication with Shareholders

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

In general, the Chairman of the Board should attend annual general meetings to communicate with shareholders relating to the Company's affairs. Nevertheless, the Chairman was not able to attend the Company's annual general meeting held on 1 June 2010 due to an ad hoc overseas engagement and the meeting was chaired by the CEO.

Independent Auditor's Report

To the shareholders of CIAM Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CIAM Group Limited (the "Company") set out on pages 43 to 155, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 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 Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue			
Net gain on held-for-trading investments		**1,496**	33,929
Net gain on financial assets designated at fair value through profit or loss		**58,006**	865
Investment income	3	**15,135**	1,198
Advisory fee income	4	**8,883**	–
Arrangement fee income		**–**	106
Assets under management fee income	5	**1,764**	854
		85,284	36,952
Management fee income	36(i)	**46,000**	32,245
Other income		**1,970**	1,204
Administrative expenses		**(106,393)**	(82,578)
Profit/(loss) from operations		**26,861**	(12,177)
Finance costs	6(a)	**(3,190)**	(1,258)
Gain on disposal of subsidiaries	32	**3,932**	65,345
Gain on disposal of investment properties		**–**	40
Gain on disposal of prepaid lease payments and properties for development		**–**	11,856
Gain on disposal of associates	16	**–**	810
Share of profits/(losses) of an associate	16	**405**	(378)
Share of profits of a jointly controlled entity	17	**17,882**	2,909
Profit before taxation	6	**45,890**	67,147
Income tax	7	**(1,952)**	–
Profit for the year		**43,938**	67,147

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Other comprehensive income for the year (after tax and reclassification adjustments)	11		
Exchange differences on translation of financial statements of foreign operations		**6,652**	175
Available-for-sale investment: net movement in the fair value reserve		**12,642**	–
Transfer of exchange reserve upon liquidation of a subsidiary		**(24)**	–
		19,270	175
Total comprehensive income for the year		**63,208**	67,322
Profit for the year attributable to:			
– Equity shareholders of the Company	10	**44,149**	64,332
– Non-controlling interests		**(211)**	2,815
		43,938	67,147
Other comprehensive income for the year attributable to:			
– Equity shareholders of the Company		**19,272**	174
– Non-controlling interests		**(2)**	1
		19,270	175
Total comprehensive income for the year attributable to:			
– Equity shareholders of the Company		**63,421**	64,506
– Non-controlling interests		**(213)**	2,816
		63,208	67,322
Earnings per share	12		
Basic and diluted		**HK9.93 cents**	HK14.79 cents

The notes on pages 53 to 155 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**5,842**	7,564
Interest in an associate	16	**14,899**	13,937
Interest in a jointly controlled entity	17	**117,754**	98,385
Available-for-sale investment	18	**–**	56,803
Financial asset at fair value through profit or loss	19	**–**	24,118
Loan receivables	20	**193,326**	4,300
Other receivables	21	**8,571**	–
Other non-current assets	22	**1,464**	1,824
Pledged bank deposit	24	**65,000**	–
		406,856	206,931
Current assets			
Prepayments, deposits and other receivables	21	**9,443**	167,470
Available-for-sale investment	18	**75,871**	–
Financial assets at fair value through profit or loss	19	**95,011**	33,241
Amount due from ultimate holding company	36(ii)	**14,996**	17,850
Loan receivables	20	**27,467**	177
Pledged bank deposit	24	**41,500**	39,000
Cash and cash equivalents	25	**197,882**	241,778
		462,170	499,516
Current liabilities			
Accruals and other payables	26	**55,350**	24,032
Amounts due to fellow subsidiaries	36(ii)	**15,793**	14,314
Loans from non-controlling shareholders	36(ii)	**202**	36,755
Secured bank loan	27	**35,409**	–
Current taxation	28(a)	**4,201**	2,474
		110,955	77,575
Net current assets		**351,215**	421,941
Total assets less current liabilities		**758,071**	628,872

Consolidated Statement of Financial Position

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current liabilities			
Secured bank loan	27	**59,015**	–
Deferred tax liabilities	28(b)	**4,214**	–
		63,229	–
NET ASSETS		**694,842**	628,872
CAPITAL AND RESERVES			
Share capital	29(c)(i)	**444,633**	444,633
Reserves		**250,349**	179,236
Total equity attributable to equity shareholders of the Company		**694,982**	623,869
Non-controlling interests		**(140)**	5,003
TOTAL EQUITY		**694,842**	628,872

Approved and authorised for issue by the board of directors on 18 March 2011.

Dou Jianzhong
Director

Lo Wing Yat Kelvin
Director

The notes on pages 53 to 155 form part of these financial statements.

Statement of Financial Position

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**4,505**	7,222
Investments in subsidiaries	15	**546,503**	1,208,118
Financial asset at fair value through profit or loss	19	**–**	24,118
Other non-current assets	22	**979**	979
Pledged bank deposit	24	**65,000**	–
		616,987	1,240,437
Current assets			
Prepayments, deposits and other receivables	21	**3,590**	2,473
Financial assets at fair value through profit or loss	19	**81,563**	14,950
Amount due from ultimate holding company	36(ii)	**14,996**	17,850
Amounts due from subsidiaries	23	**251,755**	392,376
Pledged bank deposit	24	**41,500**	39,000
Cash and cash equivalents	25	**171,676**	176,236
		565,080	642,885
Current liabilities			
Accruals and other payables	26	**39,759**	22,186
Amounts due to subsidiaries	23	**685,817**	1,294,085
Current taxation	28(a)	**374**	–
		725,950	1,316,271
Net current liabilities		**(160,870)**	(673,386)
NET ASSETS		**456,117**	567,051

Statement of Financial Position

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
CAPITAL AND RESERVES			
Share capital	29(c)(i)	**444,633**	444,633
Reserves	29(a)	**11,484**	122,418
TOTAL EQUITY		**456,117**	567,051

Approved and authorised for issue by the board of directors on 18 March 2011.

Dou Jianzhong
Director

Lo Wing Yat Kelvin
Director

The notes on pages 53 to 155 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Contributed surplus	Exchange reserve	Share option reserve	Available-for-sale fair value reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		Note 29(c)(i)	Note 29(d)(i)	Note 29(d)(ii)	Note 29(d)(iii)	Note 29(d)(iv)	Note 29(d)(v)	Note 29(d)(vi)				
Balance at 1 January 2010		444,633	31,970	82,445	176	3,560	–	1,581	59,504	623,869	5,003	628,872
Changes in equity for 2010:												
Profit for the year		–	–	–	–	–	–	–	44,149	44,149	(211)	43,938
Other comprehensive income	11	–	–	–	6,630	–	12,642	–	–	19,272	(2)	19,270
Total comprehensive income		–	–	–	6,630	–	12,642	–	44,149	63,421	(213)	63,208
Equity settled share-based transactions		–	–	–	–	7,692	–	–	–	7,692	–	7,692
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(2,783)	(2,783)
Return of capital to non-controlling shareholders upon liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	(2,147)	(2,147)
Balance at 31 December 2010		444,633	31,970	82,445	6,806	11,252	12,642	1,581	103,653	694,982	(140)	694,842
Balance at 1 January 2009		400,633	–	82,445	2	–	–	1,581	(4,828)	479,833	2,856	482,689
Changes in equity for 2009:												
Profit for the year		–	–	–	–	–	–	–	64,332	64,332	2,815	67,147
Other comprehensive income	11	–	–	–	174	–	–	–	–	174	1	175
Total comprehensive income		–	–	–	174	–	–	–	64,332	64,506	2,816	67,322
Issuance of shares	29(c)(i)	44,000	34,320	–	–	–	–	–	–	78,320	–	78,320
Share issue expenses		–	(2,350)	–	–	–	–	–	–	(2,350)	–	(2,350)
Equity settled share-based transactions		–	–	–	–	3,560	–	–	–	3,560	–	3,560
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(669)	(669)
Balance at 31 December 2009		444,633	31,970	82,445	176	3,560	–	1,581	59,504	623,869	5,003	628,872

The notes on pages 53 to 155 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Profit before taxation		**45,890**	67,147
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**2,746**	1,496
Amortisation of land held under operating lease	6(c)	**–**	1,105
Loss/(gain) on disposal of property, plant and equipment	6(c)	**2**	(56)
Gain on disposal of investment properties	6(c)	**–**	(40)
Gain on disposal of prepaid lease payments and properties for development		**–**	(11,856)
Gain on disposal of subsidiaries	32	**(3,932)**	(65,345)
Share of (profits)/losses of an associate	16	**(405)**	378
Share of profits of a jointly controlled entity	17	**(17,882)**	(2,909)
Net gain on financial assets designated at fair value through profit or loss		**(58,006)**	(865)
Gain on disposal of associates	16	**–**	(810)
Finance costs	6(a)	**3,190**	1,258
Equity-settled share-based payment expenses	6(b)	**7,692**	3,560
Adjusted operating loss before changes in working capital		**(20,705)**	(6,937)
Increase in prepayments, deposits and other receivables		**(15,493)**	(722)
Decrease/(increase) in held-for-trading investments		**16,994**	(22,657)
Decrease/(increase) in amount due from ultimate holding company		**2,854**	(15,864)
Increase in accruals and other payables		**30,269**	19,960
Cash generated from/(used in) operations		**13,919**	(26,220)
Tax paid outside Hong Kong	28(a)	**(268)**	–
Interest paid		**(3,190)**	(1,258)
Net cash generated from/(used in) operating activities		**10,461**	(27,478)

	Note	2010 HK$'000	2009 HK$'000
Investing activities			
Proceeds from disposal of property, plant and equipment		**–**	480
Payment for purchase of property, plant and equipment		**(994)**	(6,191)
Proceeds from disposal of investment properties		**–**	1,757
Additions to investment properties		**–**	(145,412)
Proceeds from disposal of prepaid lease payments and properties for development		**–**	60,600
Proceeds from disposal of subsidiaries	32	**4,250**	343,000
Proceeds from disposal of associates		**–**	810
Investment in an associate		**–**	(14,299)
Investment in a jointly controlled entity		**–**	(95,341)
Payment for purchases of available-for-sale investment		**–**	(56,764)
Proceeds from disposal of financial assets designated at fair value through profit or loss		**23,160**	–
Payment for purchase of financial assets designated at fair value through profit or loss		**(19,800)**	(23,253)
Loans repaid by third parties		**2,307**	43,841
Loans to third parties		**(216,387)**	–
Proceeds from settlement of consideration receivable for disposal of subsidiaries in previous year	21	**165,000**	–
Increase in pledged bank deposits		**(67,500)**	(39,000)
Dividend distribution from a jointly controlled entity		**2,685**	–
Net cash (used in)/generated from investing activities		**(107,279)**	70,228

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
Financing activities			
Proceeds from/(repayment of) secured bank and other borrowings		**92,665**	(172,645)
Dividend paid to a non-controlling shareholder		**(2,783)**	(669)
Return of capital to a non-controlling shareholder upon liquidation of a subsidiary		**(2,147)**	–
Repayment of loans from non-controlling shareholders		**(36,553)**	(96)
Advance from a fellow subsidiary		**143**	14,314
Net proceeds from issuance of new shares		**–**	75,970
Net cash generated from/(used in) financing activities		**51,325**	(83,126)
Net decrease in cash and cash equivalents		**(45,493)**	(40,376)
Cash and cash equivalents at 1 January		**241,778**	282,169
Effect of foreign exchange rate changes		**1,597**	(15)
Cash and cash equivalents at 31 December	25	**197,882**	241,778

The notes on pages 53 to 155 form part of these financial statements.

Notes to the Financial Statements

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in an associate and a jointly controlled entity.

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

– financial instruments classified as available-for-sale investment and financial assets at fair value through profit or loss (see note 1(e)(ii))

1 Significant accounting policies (continued)

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

1 Significant accounting policies (continued)

(c) Subsidiaries and non-controlling interests (continued)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(e), (j) or (k) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(d)).

Notes to the Financial Statements

1 Significant accounting policies (continued)

(c) Subsidiaries and non-controlling interests (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(d) Associates and jointly controlled entities

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

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(h)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1 Significant accounting policies (continued)

(d) Associates and jointly controlled entities (continued)

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

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

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 1(h)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (continued)

(e) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired. The categories are: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

The Group recognises financial assets on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets at fair value through profit or loss is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

– the assets are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

– the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivative(s) from the financial instrument is not prohibited.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

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

Financial assets under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise loans and advances to customers.

Loans and receivables include loans made under entrusted arrangement which are loans granted by licensed banks incorporated in the People's Republic of China (the "PRC") on behalf of the Group to external PRC customers which the Group bears the risk and reward.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

Loans and receivables (continued)

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses, if any.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see note 1(h)).

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

Available-for-sale investments (continued)

When the available-for-sale investments are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

(v) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

1 Significant accounting policies (continued)

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

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

– Leasehold improvements	Over the shorter of the term of the lease, or 5 years
– Furniture, fixtures and equipment	3 - 10 years
– Motor vehicles	4 years

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

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

(g) Operating lease charges

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

1 Significant accounting policies (continued)

(g) Operating lease charges (continued)

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

(h) Impairment of assets

The carrying amount of the Group's assets is reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

– significant financial difficulty of the issuer or borrower;

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

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;

– disappearance of an active market for financial assets because of financial difficulties; and

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

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

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables, which are measured at amortised cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(i) Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Loans and receivables (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to profit or loss. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) Loans and receivables (continued)

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

(ii) Available-for-sale investments

When there is objective evidence that an available-for-sale investment is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

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

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

Impairment losses in respect of available-for-sale debt investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(iii) Other assets

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

– property, plant and equipment;

– investments in subsidiaries, associates and jointly controlled entities; and

– other non-current assets.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(iii) Other assets (continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the year (see notes 1(h)(i), (ii) and (iii)).

1 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(iv) Interim financial reporting and impairment (continued)

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

(i) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Interest-bearing borrowings

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

1 Significant accounting policies (continued)

(k) Accruals and other payables

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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

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

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

1 Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Carried interest

Eligible employees are entitled to receive a share of the realised profits less losses on investments of the Group. The Group recognises a liability based on estimated fair value of its assets at the end of the reporting period. Carried interest payable is accrued on those investments over and above the performance hurdle of 10% internal rate of return, measured at the end of the reporting period. Carried interest is paid when the investment return is realised without any recourse.

(iii) Share-based payments

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

1 Significant accounting policies (continued)

(m) Employee benefits (continued)

(iii) Share-based payments (continued)

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

(n) Income tax

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

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

1 Significant accounting policies (continued)

(n) Income tax (continued)

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

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

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

1 Significant accounting policies (continued)

(n) Income tax (continued)

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(o) Provisions and contingent liabilities

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

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

1 Significant accounting policies (continued)

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in profit or loss on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on all financial assets that are classified as trading or designated at fair value through profit and loss are considered to be incidental and are therefore presented together with all other changes in fair value arising from the portfolio. Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expense, foreign exchange differences and dividend income attributable to those financial instruments.

1 Significant accounting policies (continued)

(p) Revenue recognition (continued)

(ii) Fee income

Fee income arises from financial services provided by the Group including project and structured finance transactions, and asset management services. Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

(iii) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

1 Significant accounting policies (continued)

(q) Translation of foreign currencies (continued)

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss. All other exchange differences relating to monetary items are presented in profit or loss. Differences arising on translation of available-for-sale equity instruments are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) Borrowing costs

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

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

1 Significant accounting policies (continued)

(s) Related parties

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

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(t) Segment reporting

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

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

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 3 (revised 2008), Business combinations

– Amendments to HKAS 27, Consolidated and separate financial statements

– Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations - plan to sell the controlling interest in a subsidiary

– Amendment to HKAS 39, Financial instruments: Recognition and measurement - eligible hedged items

– Improvements to HKFRSs (2009)

– HK(IFRIC) 17, Distributions of non-cash assets to owners

– HK(Int) 5, Presentation of Financial Statements - Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Changes in accounting policies (continued)

The amendment to HKAS 39 and the issuance of HK(Int) 5 have had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

3 Investment income

	2010 **HK$'000**	2009 HK$'000
Interest income from financial assets that are not at fair value through profit or loss	**15,131**	956
Dividend income from:		
– listed securities	**4**	108
– unlisted funds	**–**	134
	15,135	1,198

4 Advisory fee income

Advisory fee relates to fees earned by the Group for provision of advisory services to the customers.

5 Assets under management fee income

Assets under management fee relates to fees earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers.

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2010 **HK$'000**	2009 HK$'000
(a) Finance costs		
Interest on secured bank loans and other borrowings wholly repayable within five years	**3,190**	4,213
Less: Interest expense capitalised into investment properties under development *	**–**	(2,955)
	3,190	1,258

* For the year ended 31 December 2009, the borrowing costs have been capitalised at a rate of 1.80% - 2.05% per annum.

6 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

		2010 HK$'000	2009 HK$'000
(b)	**Staff costs**		
	Contributions to defined contribution retirement plan	**2,011**	2,024
	Equity-settled share-based payment expenses (note 30)	**7,692**	3,560
	Salaries, carried interest and other benefits	**60,444**	45,768
		70,147	51,352
(c)	**Other items**		
	Depreciation of property, plant and equipment	**2,746**	1,496
	Amortisation of land held under operating leases	**–**	1,105
	Loss/(gain) on disposal of property, plant and equipment	**2**	(56)
	Gain on disposal of investment properties	**–**	(40)
	Gain on disposal of prepaid lease payments and properties for development	**–**	(11,856)
	Operating lease charges in respect of land and buildings	**8,749**	7,016
	Net foreign exchange (gain)/loss	**(475)**	32
	Auditor's remuneration	**720**	783
	Directors' fees	**3,463**	3,090

Notes to the Financial Statements

7 Income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2010 HK$'000	2009 HK$'000
Current tax - Hong Kong Profits Tax		
Provision for the year	374	–
Over-provision in respect of prior years	(398)	–
	(24)	–
Current tax - Outside Hong Kong		
Provision for withholding tax for the year	1,553	–
Provision for profits tax for the year	423	–
	1,976	–
	1,952	–

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year. For the year ended 31 December 2009, no provision for Hong Kong Profits Tax has been made since the tax losses brought forward are in excess of assessable profits. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

7 Income tax in the consolidated statement of comprehensive income (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 HK$'000	2009 HK$'000
Profit before taxation	**45,890**	67,147
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**7,965**	10,787
Tax effect of non-deductible expenses	**2,657**	1,943
Tax effect of non-taxable income	**(3,949)**	(13,655)
Tax effect of unused tax losses not recognised	**904**	1,719
Utilisation of tax losses previously not recognised	**(5,227)**	(794)
Over-provision in prior years	**(398)**	–
Actual tax expense	**1,952**	–

Notes to the Financial Statements

8 Directors' remuneration

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

For the year ended 31 December 2010

Name of director	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses and carried interest	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	2010 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Dou Jianzhong	600	–	–	–	600	721	1,321
Hung Chi Yuen Andrew	400	–	–	–	400	115	515
Lo Wing Yat Kelvin	250	1,380	2,044	138	3,812	380	4,192
Lu Zhicheng	200	–	–	–	200	115	315
Carolyn Anne Prowse	225	–	–	–	225	–	225
Sit Fung Shuen Victor	400	–	–	–	400	115	515
Toh Hock Ghim	400	–	–	–	400	115	515
Graham Roderick Walker	275	–	–	–	275	231	506
Wong Yau Kar David	200	–	–	–	200	115	315
Yip Chi Chiu	250	–	–	–	250	231	481
Zhao Tieliu	200	–	–	–	200	115	315
Fung Ka Pun (resigned on 1 April 2010)	63	720	–	3	786	–	786
	3,463	2,100	2,044	141	7,748	2,253	10,001

8 Directors' remuneration (continued)

For the year ended 31 December 2009

Name of director	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses and carried interest	Retirement scheme contributions	Sub-Total	Share-based payments (Note)	2009 Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Dou Jianzhong	400	–	–	–	400	299	699
Hung Chi Yuen Andrew	400	–	–	–	400	48	448
Lo Wing Yat Kelvin	250	2,433	2,334	243	5,260	211	5,471
Lu Zhicheng (appointed on 15 July 2009)	80	–	–	–	80	48	128
Carolyn Anne Prowse (appointed on 2 November 2009)	33	–	–	–	33	–	33
Sit Fung Shuen Victor	400	–	–	–	400	48	448
Toh Hock Ghim	400	–	–	–	400	48	448
Graham Roderick Walker	300	–	–	–	300	95	395
Wong Yau Kar David (appointed on 15 July 2009)	80	–	–	–	80	48	128
Yip Chi Chiu	250	–	–	–	250	95	345
Zhao Tieliu (appointed on 15 July 2009)	80	–	–	–	80	48	128
Fung Ka Pun	250	2,880	1,000	12	4,142	95	4,237
Mohamed Abdulrahman Husain Abdulla Bucheeri (appointed on 19 February 2009 and resigned on 2 November 2009)	167	–	–	–	167	48	215
	3,090	5,313	3,334	255	11,992	1,131	13,123

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(m)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 30.

The amounts presented are net of amounts reimbursed from CITIC International Assets Management Limited ("CIAM Parent") under the Inter-companies Service and Cost Allocation Agreement ("Services Agreement"). The amounts were presented on the same basis for 2009.

Notes to the Financial Statements

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, one (2009: two) is director of the Company whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2009: three) individuals are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other emoluments	**2,088**	2,200
Discretionary bonuses	**1,455**	2,588
Share-based payments	**525**	267
Retirement scheme contributions	**204**	220
	4,272	5,275

The emoluments of the four (2009: three) individuals with the highest emoluments are within the following bands:

	2010 **Number of individuals**	2009 Number of individuals
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**3**	1
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	2

The amounts presented are net of amounts reimbursed from CIAM Parent under the Services Agreement. The amounts were presented on the same basis for 2009.

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$118,626,000 (2009: loss of HK$65,345,000) which has been dealt with in the financial statements of the Company.

11 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2010			2009		
	Before-tax amount HK$'000	**Tax expense HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of foreign operations	**6,652**	**–**	**6,652**	175	–	175
Available-for-sale investment: net movement in fair value reserve	**16,856**	**(4,214)**	**12,642**	–	–	–
Transfer of exchange reserve upon liquidation of a subsidiary	**(24)**	**–**	**(24)**	–	–	–
Other comprehensive income	**23,484**	**(4,214)**	**19,270**	175	–	175

12 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$44,149,000 (2009: HK$64,332,000) and the weighted average of 444,633,217 ordinary shares (2009: 434,868,833 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares at 1 January	**444,633,217**	400,633,217
Effect of capitalisation issue (note 29(c))	**–**	34,235,616
Weighted average number of ordinary shares at 31 December	**444,633,217**	434,868,833

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2010 and 2009 were equal to the basic earnings per share as the potential ordinary shares outstanding during the year had no dilutive effect on the basic earnings per share for the years.

13 Segment reporting

In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. The following summary describes the operations in each of the Group's reportable segments:

Direct investments:	This segment is principally engaged in financing, securities trading and asset investments.
Assets under management ("AUM"):	This segment is principally engaged in fund set-up and management in which the Group acts as the general partner and/or investment manager and leverages third party and seed money into selected investment portfolios.
Property investments:	This business segment engages in property development.

13 Segment reporting (continued)

(a) Segment results

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below:

	Direct investments		AUM		Property investments		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Revenue	**83,520**	36,098	**1,764**	854	**–**	–	**85,284**	36,952
Segment results	**69,942**	27,878	**(1,211)**	(506)	**(146)**	75,632	**68,585**	103,004
Finance costs	**(3,190)**	–	**–**	–	**–**	(1,258)	**(3,190)**	(1,258)
Share of profits/ (losses) of an associate	**–**	–	**405**	(378)	**–**	–	**405**	(378)
Share of profits of a jointly controlled entity	**17,882**	2,909	**–**	–	**–**	–	**17,882**	2,909
Unallocated corporate income							**51,902**	33,448
Central administrative costs and directors' remuneration							**(89,694)**	(70,578)
Profit before taxation							**45,890**	67,147

All of the segment revenue reported above is from external customers.

Segment profit represents profit attributable to each segment without allocation of corporate income, central administrative costs and directors' remuneration.

These measures are reported to the Group's Office of Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

13 Segment reporting (continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2010 HK$'000	2009 HK$'000
Segment assets		
Direct investments	**437,518**	160,221
AUM	**100,781**	70,740
Property investments	**–**	165,000
Total segment assets	**538,299**	395,961
Cash and cash equivalents and pledged bank deposits	**304,382**	280,778
Unallocated assets	**26,345**	29,708
Consolidated assets	**869,026**	706,447
Segment liabilities		
Direct investments	**118,555**	7,169
AUM	**15,649**	14,315
Property investments	**–**	37,091
Total segment liabilities	**134,204**	58,575
Unallocated liabilities	**39,980**	19,000
Consolidated liabilities	**174,184**	77,575

For the purposes of monitoring segment performance and allocating resources between segments:

– All assets are allocated to reportable segments other than property, plant and equipment, amount due from ultimate holding company, pledged bank deposits, cash and cash equivalents, other non-current assets and the unallocated prepayments, deposits and other receivables; and

– All liabilities are allocated to reportable segments other than the unallocated accruals and other payables.

13 Segment reporting (continued)

(c) Geographical information

The Group's operations in direct investments, AUM and property investments are mainly located in Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue and non-current assets by geographical location.

For revenue from listed investments, allocation is based on the location of investments being listed. For revenue from unlisted investments, funds, provision of advisory services, arrangement services and assets management services, allocation is based on the location of investees, borrowers or managed assets.

Non-current assets are allocated by geographical location of the assets.

	Revenue		**Non-current assets (Note)**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**59,389**	36,098	**6,437**	9,046
PRC	**16,030**	854	**133,522**	112,664
Others	**9,865**	–	**–**	–
	85,284	36,952	**139,959**	121,710

Note: Non-current assets excluded financial instruments.

14 Property, plant and equipment

(a) The Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Investment properties under development HK$'000	Total HK$'000
Cost:					
At 1 January 2010	3,766	2,909	2,644	–	9,319
Exchange adjustments	–	12	37	–	49
Additions	48	479	467	–	994
Disposals	(79)	(90)	–	–	(169)
At 31 December 2010	3,735	3,310	3,148	–	10,193
At 1 January 2009	88	1,260	3,050	23,125	27,523
Additions	3,678	1,649	864	–	6,191
Transferred to investment properties	–	–	–	(23,125)	(23,125)
Disposals	–	–	(1,270)	–	(1,270)
At 31 December 2009	3,766	2,909	2,644	–	9,319
Accumulated depreciation:					
At 1 January 2010	266	652	837	–	1,755
Exchange adjustments	–	2	15	–	17
Charge for the year	1,286	692	768	–	2,746
Written back on disposals	(79)	(88)	–	–	(167)
At 31 December 2010	1,473	1,258	1,620	–	4,351
At 1 January 2009	13	273	819	–	1,105
Charge for the year	253	379	864	–	1,496
Written back on disposals	–	–	(846)	–	(846)
At 31 December 2009	266	652	837	–	1,755
Net book value:					
At 31 December 2010	2,262	2,052	1,528	–	5,842
At 31 December 2009	3,500	2,257	1,807	–	7,564

Notes to the Financial Statements

14 Property, plant and equipment (continued)

(b) The Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2010	3,766	2,814	2,251	8,831
Additions	48	180	–	228
Disposals	(79)	(90)	(864)	(1,033)
At 31 December 2010	3,735	2,904	1,387	8,026
At 1 January 2009	88	1,245	2,657	3,990
Additions	3,678	1,569	864	6,111
Disposals	–	–	(1,270)	(1,270)
At 31 December 2009	3,766	2,814	2,251	8,831
Accumulated depreciation:				
At 1 January 2010	266	642	701	1,609
Charge for the year	1,286	626	527	2,439
Written back on disposals	(79)	(88)	(360)	(527)
At 31 December 2010	1,473	1,180	868	3,521
At 1 January 2009	13	273	808	1,094
Charge for the year	253	369	739	1,361
Written back on disposals	–	–	(846)	(846)
At 31 December 2009	266	642	701	1,609
Net book value:				
At 31 December 2010	2,262	1,724	519	4,505
At 31 December 2009	3,500	2,172	1,550	7,222

15 Investments in subsidiaries

	The Company 2010 HK$'000	The Company 2009 HK$'000
Unlisted shares, at cost	**546,503**	1,208,118

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operations	Class of share capital	Paid up issued/ registered ordinary share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Access Way Investment Limited	Hong Kong	Ordinary	HK$2	100%	–	100%	Property development
Active Way International Limited	Hong Kong	Ordinary	HK$2	100%	–	100%	Financing
Bowen Limited	Hong Kong	Ordinary	HK$2	100%	100%	–	Investment holding
Cash Level Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
CIAM Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US$100	100%	100%	–	Investment holding
CIAM Properties (Holdings) Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
CIAM Properties Limited	Hong Kong	Ordinary	HK$2	100%	–	100%	Investment holding
事安(天津)投資顧問有限公司	PRC	Registered	HK$2,000,000	100%	–	100%	Investment consultancy services

15 Investments in subsidiaries (continued)

Name of company	Place of incorporation and operations	Class of share capital	Paid up issued/ registered ordinary share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Profit Union Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
Right Way Holdings Limited	Hong Kong	Ordinary	HK$10	70%	–	70%	Financing
Timely Era Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	100%	–	Financing
逸百年投資諮詢(深圳)有限公司(Note)	PRC	Registered	RMB60,000,000	100%	–	100%	Investment consultancy services
信安通(北京)投資顧問有限公司("信安通")(Note)	PRC	Registered	HK$3,000,000	100%	100%	–	Investment consultancy services

Note: These companies are wholly-foreign owned enterprises established in the PRC.

16 Interest in an associate

	The Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**14,899**	13,937

Particulars of the associate at 31 December 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
河南農開投資基金管理有限責任公司 (Note)	Incorporated	PRC	RMB42,000,000	30%	–	30%	Fund management

Note: In 2009, the Group, through a wholly-owned subsidiary, injected a capital of RMB12,600,000 (equivalent to HK$14,299,000) for 30% interest in 河南農開投資基金管理有限責任公司. No goodwill is resulted from the acquisition.

In May 2009, the Group fully disposed of its 22% interest in Teclink Development Limited to a third party at a gain of HK$810,000.

Summary financial information on the associate:

	Assets	Liabilities	Equity	Revenue	Profit/(loss)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010					
100 per cent	94,738	45,074	49,663	8,768	1,351
Group's effective interest	28,421	13,522	14,899	2,630	405
2009					
100 per cent	47,066	609	46,457	–	(1,259)
Group's effective interest	14,120	183	13,937	–	(378)

17 Interest in a jointly controlled entity

	The Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**117,754**	98,385

Details of the Group's interest in the jointly controlled entity are as follows:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
華能壽光風力發電有限公司 (Note)	Incorporated	PRC	RMB186,730,000	45%	–	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

Note: In 2009, the Group, through a wholly-owned subsidiary, injected a capital of RMB84,030,000 (equivalent to HK$95,341,000) for 45% interest in 華能壽光風力發電有限公司. No goodwill was resulted from this capital injection.

17 Interest in a jointly controlled entity (continued)

Summary financial information on jointly controlled entity - Group's effective interest:

	2010	2009
	HK$'000	HK$'000
Non-current assets	**261,940**	262,044
Current assets	**48,152**	76,352
Non-current liabilities	**(160,667)**	(190,176)
Current liabilities	**(31,671)**	(49,835)
Net assets	**117,754**	98,385

	2010	2009
	HK$'000	HK$'000
Income	**42,765**	12,249
Expenses	**(24,883)**	(9,340)
Profit for the year	**17,882**	2,909

18 Available-for-sale investment

	The Group	
	2010	2009
	HK$'000	HK$'000
Unlisted Unit Trust Investment	**75,871**	56,803
Presented by:		
Non-current assets	**–**	56,803
Current assets	**75,871**	–
	75,871	56,803

At 31 December 2010 and 31 December 2009, the amount represented approximately 17% of the total units in a trust for which the Group acts as the investment consultant. The Unit Trust Investment provides loans to PRC enterprises. In the opinion of the directors, the Group has not provided for impairment loss since the loans are fully pledged, secured or guaranteed by certain property interests in the PRC of the borrowers.

19 Financial assets at fair value through profit or loss

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Securities designated at fair value through profit or loss:				
Unlisted debt securities with embedded options	**–**	24,118	**–**	24,118

19 Financial assets at fair value through profit or loss (continued)

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Securities designated at fair value through profit or loss:				
Listed equity securities in Hong Kong	**58,212**	–	**58,212**	–
Unlisted fund	**20,552**	–	**20,552**	–
	78,764	–	**78,764**	–
Held-for-trading investments:				
Listed equity securities at fair value				
– in Hong Kong	**9,639**	26,025	**2,799**	14,950
– outside Hong Kong	**93**	67	**–**	–
Unlisted private equity funds	**6,515**	7,149	**–**	–
	16,247	33,241	**2,799**	14,950
	95,011	33,241	**81,563**	14,950

All listed and unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities.

Notes to the Financial Statements

20 Loan receivables

(a) Loan receivables less impairment allowances

	The Group	
	2010	2009
	HK$'000	HK$'000
Property investments	**39,079**	5,977
Manufacturing	**114,285**	–
Assets management	**9,914**	–
Mining	**59,015**	–
Gross loan receivables (Note)	**222,293**	5,977
Individually assessed impairment allowances (note 20(b))	**(1,500)**	(1,500)
	220,793	4,477
Presented by:		
Non-current assets	**193,326**	4,300
Current assets	**27,467**	177
	220,793	4,477

Note: Included in the balance were loans of HK$94,423,000 (2009: HK$Nil) granted by licensed banks incorporated in the PRC on behalf of the Group to external PRC customers under the entrusted arrangements which the Group bears the risk and reward.

(b) Movement in impairment allowances on loan receivables

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January and 31 December (note 20(a))	**1,500**	1,500

21 Prepayments, deposits and other receivables

At 31 December 2009, included in prepayments, deposits and other receivables of the Group was an amount of HK$165,000,000 receivable from the purchaser of Gold Jade International Holdings Limited, previously a subsidiary of the Group. The full amount had been subsequently settled in March 2010.

All of the prepayments, deposits and other receivables classified as current assets are expected to be recovered or recognised in profit or loss within one year.

22 Other non-current assets

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Membership licences	**360**	720	**–**	–
Club debentures	**1,104**	1,104	**979**	979
	1,464	1,824	**979**	979

23 Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

24 Pledged bank deposits

The pledged bank deposits were presented as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current	**65,000**	–	**65,000**	–
Current	**41,500**	39,000	**41,500**	39,000
	106,500	39,000	**106,500**	39,000

At 31 December 2010, the pledged bank deposits were used to secure bank loans (note 27). At 31 December 2009, a pledged bank deposit was used to secure a bank facility of HK$43,000,000.

The pledged bank deposits carry interest at prevailing deposit rates ranging from 0.58% to 2.64% per annum (2009: 0.08% per annum).

25 Cash and cash equivalents

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits placed with other financial institutions	**186**	1,756	**5**	748
Bank balances and cash	**197,696**	240,022	**171,671**	175,488
	197,882	241,778	**171,676**	176,236

26 Accruals and other payables

All accruals and other payables are unsecured and expected to be settled or recognised in profit or loss within one year or are repayable on demand.

27 Secured bank loans

At 31 December 2010, the bank loans were repayable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Current:		
– Within 1 year or on demand	**35,409**	–
Non-current:		
– After 1 year but within 2 years	**59,015**	–
	94,424	–

At 31 December 2010, all the bank loans were secured by bank deposits (note 24) and bear interest rates ranging from 5.13% to 5.60% per annum.

28 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current tax –				
Hong Kong Profits Tax				
Provision for the year	**374**	–	**374**	–
Current tax –				
Outside Hong Kong				
Provision for withholding				
tax for the year	**1,553**	–	**–**	–
Provision for profits tax				
for the year	**423**	–	**–**	–
Tax paid	**(268)**	–	**–**	–
	2,082	–	**374**	–
Balance of Profits Tax				
provision relating to				
prior years	**2,076**	2,474	**–**	–
Exchange adjustments	**43**	–	**–**	–
	4,201	2,474	**374**	–

28 Income tax in the statement of financial position (continued)

(b) Deferred tax liabilities recognised in respect of revaluation of available-for-sale investment:

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January 2010	**–**	–
Charged to reserves	**4,214**	–
At 31 December 2010	**4,214**	–

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$373,630,000 (2009: HK$405,359,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

29 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 January 2010	31,970	3,560	2,184	84,704	122,418
Changes in equity for 2010:					
Loss for the year	–	–	–	(118,626)	(118,626)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(118,626)	(118,626)
Equity settled share-based transactions	–	7,692	–	–	7,692
Balance at 31 December 2010	31,970	11,252	2,184	(33,922)	11,484
Balance at 1 January 2009	–	–	2,184	150,049	152,233
Changes in equity for 2009:					
Loss for the year	–	–	–	(65,345)	(65,345)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(65,345)	(65,345)
Issuance of shares	34,320	–	–	–	34,320
Share issue expenses	(2,350)	–	–	–	(2,350)
Equity settled share-based transactions	–	3,560	–	–	3,560
Balance at 31 December 2009	31,970	3,560	2,184	84,704	122,418

29 Capital, reserves and dividends (continued)

(b) Dividends

No dividend had been paid or declared during the year in respect of previous financial year. The board of directors do not recommend the payment of a dividend for the year ended 31 December 2010.

(c) Share capital

(i) Authorised and issued share capital

	2010		2009	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Authorised:				
Ordinary shares of HK$1 each	**750,000,000**	**750,000**	750,000,000	750,000
Ordinary shares, issued and fully paid:				
At 1 January	**444,633,217**	**444,633**	400,633,217	400,633
Shares issued	**–**	**–**	44,000,000	44,000
At 31 December	**444,633,217**	**444,633**	444,633,217	444,633

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29 Capital, reserves and dividends (continued)

(c) Share capital (continued)

(i) Authorised and issued share capital (continued)

On 16 March 2009, arrangements were made for acquisition by independent private investors of 39,000,000 ordinary shares of HK$1 each in the Company held by Right Precious Limited, the controlling shareholder of the Company, at a price of HK$1.28 per share representing a discount of approximately 42% to the closing market price of the Company's shares on 13 May 2008, the last trading day before the suspension of trading in the shares of the Company on The Stock Exchange of Hong Kong Limited pending for restoration of the 25% minimum public float in the shares.

Pursuant to a placing agreement entered into on 16 March 2009, a placing agent procured the placing of 44,000,000 new shares of HK$1 each in the Company at a price of HK$1.78 per share to an independent private investor. The proceeds were used to provide funding of its expansion and growth plan and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 30 May 2008 and rank pari passu with other shares in issue in all respects.

29 Capital, reserves and dividends (continued)

(c) Share capital (continued)

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2010 Number of share options	2009 Number of share options
9 September 2010 to 8 September 2012	HK$1.79	**14,015,000**	14,905,000
9 September 2011 to 8 September 2014	HK$1.79	**14,015,000**	14,905,000
		28,030,000	29,810,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 30 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

29 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note (1)(q).

(iv) Share option reserve

The share option reserve represents the grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 1(m)(iii).

(v) Available-for-sale fair value reserve

The available-for-sale fair value reserve represents the cumulative net change in fair value of available-for-sale investments held at the end of reporting period and is dealt with in accordance with accounting policies note 1(e) and 1(h)(ii).

(vi) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid and (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005.

29 Capital, reserves and dividends (continued)

(e) Distributability of reserves

At 31 December 2010, the Company has no reserves available for distribution to equity shareholders of the Company. At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 54 of the Companies Act 1981 of Bermuda was HK$86,888,000, which comprised of other reserve of HK$2,184,000 and retained profits of HK$84,704,000.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 December 2010 was HK$694,842,000 (2009: HK$628,872,000).

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Companies Act 1981 of Bermuda. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The Group was not subject to externally imposed capital requirements in either the current or prior year.

30 Equity settled share-based transactions

The Company operates a share option scheme (the "Scheme"), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to Directors and eligible employees for their contribution to the Group. The Scheme will remain in force for ten years from the date of its adoption, unless otherwise cancelled or amended.

Under the Scheme, the Board of Directors (the "Board") of the Company may, at their absolute discretion, grant options to the following classes of participants, to subscribe for shares of the Company subject to the terms and conditions stipulated therein:

(i) any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any suppliers of goods or services to any members of the Group or any Invested Entity;

(iv) any customers of the Group or any Invested Entity;

(v) any person or entities that provide research, development, or other technological support to the Group or any Invested Entity; and

(vi) any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the Group or any Invested Entity.

30 Equity settled share-based transactions (continued)

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 December 2010, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised was 28,030,000 (2009: 29,810,000) representing approximately 6.3% (2009: 6.7%) of the issued share capital as at that date. The total number of shares issued and to be issued upon exercise of all share options granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

The period within which a share option may be exercised under the Scheme will be determined by the Board at its absolute discretion, such that it shall end in any event not later than 10 years from the date of grant of the share option (the "Offer Date") subject to the provisions for early termination.

The exercise price in respect of the share option shall be at the discretion of the Board, save that it must be at the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's share. A consideration of HK$1.00 is payable within 28 days from the Offer Date on acceptance of the offer of a share option.

30 Equity settled share-based transactions (continued)

The following table discloses movements of the Company's share options during the current year under the Scheme:

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options: Outstanding at 1.1.2010	Forfeited during the year	Outstanding at 31.12.2010
Directors							
Dou Jianzhong	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,250,000	–	1,250,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,250,000	–	1,250,000
Hung Chi Yuen Andrew	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Lo Wing Yat Kelvin	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,900,000	–	1,900,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,900,000	–	1,900,000
Lu Zhicheng	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Sit Fung Shuen Victor	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Toh Hock Ghim	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Graham Roderick Walker	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	400,000	–	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	400,000	–	400,000
Wong Yau Kar David	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Yip Chi Chiu	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	400,000	–	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	400,000	–	400,000
Zhao Tieliu	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
					10,300,000	–	10,300,000
Employees	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	8,755,000	(890,000)	7,865,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	8,755,000	(890,000)	7,865,000
					17,510,000	(1,780,000)	15,730,000
Other participants	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,000,000	–	1,000,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,000,000	–	1,000,000
					2,000,000	–	2,000,000
Total					29,810,000	(1,780,000)	28,030,000

30 Equity settled share-based transactions (continued)

Notes:

(a) The share options are subject to a vesting period of one year from the date of grant and will be exercisable for a period of two years thereafter.

(b) The share options are subject to a vesting period of two years from the date of grant and will be exercisable for a period of three years thereafter.

(c) Following the resignation of Mr. Fung Ka Pun as Director and Vice-chairman of the Company on 1 April 2010, all share options granted to Mr. Fung were included under "Other participants".

(d) Following the resignation of Mr. Mohamed Abdulrahman Husain Abdulla Bucheeri resigned as Non-executive Director of the Company on 2 November 2009, all share options granted to Mr. Husain were included under "Other participants".

(e) The closing price of the shares of the Company immediately before 9 September 2009, on which the share options were granted, was HK$1.79.

(f) During the year, no share options were granted to or exercised by any director, chief executive of the Company or other participants.

(g) All dates are shown day/month/year.

Following the grant of the share options under the Scheme on 9 September 2009, there were no movements of the Company's share options up to the year ended 2009.

The fair value of services received in return for the share options granted under the Scheme is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured on the Black-Scholes Option Pricing Model (the "Model"). The contractual life of the share option is used as an input into the Model. Expectations of early exercise are incorporated into the Model.

30 Equity settled share-based transactions (continued)

Fair value of share options and assumptions:

	Share options with a vesting period of one year	**Share options with a vesting period of two years**
Fair value per share option at measurement date	HK$0.42	HK$0.59
Closing price on grant date	HK$1.79	HK$1.79
Exercise price	HK$1.79	HK$1.79
Expected volatility	63.725% per annum	63.725% per annum
Expected life of share options	1 year	2 years
Expected dividend yield	–	–
Risk-free interest rates (based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority)	0.491% per annum	1.157% per annum

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

Expenses recognised in the Group's financial statements as a result of granting share options amounted to HK$7,692,000 (2009: HK$3,560,000).

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

31 Employee retirement benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme ("the ORSO scheme") for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0% to 100%, according to the years of service of relevant employees.

32 Disposal of subsidiaries

For the year ended 31 December 2010

During the year ended 31 December 2010, the Group disposed of the interest of certain subsidiaries at a total consideration attributable to the Group of HK$8,898,000.

	HK$'000
Net assets disposed of:	
Other non-current assets	360
Cash and cash equivalents	4,648
Amount due to immediate holding company	(18)
	4,990
Exchange reserve realised upon disposal of subsidiaries	(24)
Gain on disposal of subsidiaries	3,932
Total consideration satisfied by cash	8,898
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	8,898
Cash and cash equivalents disposed of	(4,648)
	4,250

32 Disposal of subsidiaries (continued)

For the year ended 31 December 2009

During the year ended 31 December 2009, a non-wholly owned subsidiary of the Group disposed of its entire interests in Gold Jade International Holdings Limited and its wholly owned subsidiaries, Elite Way International Development Limited and Right Max Development Limited at a consideration of HK$508,000,000.

The net assets disposed of at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Investment properties	442,655
Amount due to immediate holding company	(496,243)
	(53,588)
Assignment of shareholder's loan	496,243
Gain on disposal of subsidiaries	65,345
Total consideration	508,000
Satisfied by:	
Cash	343,000
Consideration receivable (note 21)	165,000
	508,000
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	343,000

33 Financial risk management

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to loan receivables, other receivables and amount due from ultimate holding company. The Group manages this risk as follows:

In respect of loan receivables, individual credit evaluations are performed semi-annually on all loan receivables. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty. The Group also has a review process that ensures the proper level of review and approval depending on the size of the loan receivables granted.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivables and amount due from ultimate holding company are set out in notes 20 and 36.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures.

33 Financial risk management (continued)

(a) Credit risk (continued)

(i) Maximum exposure

The maximum exposure to credit risk at the end of the reporting period without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure is as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss	**95,011**	57,359	**81,563**	39,068
Loan receivables	**220,793**	4,477	**–**	–
Other receivables	**14,768**	165,032	**830**	–
Available-for-sale investment	**75,871**	56,803	**–**	–
Amount due from ultimate holding company	**14,996**	17,850	**14,996**	17,850
Amounts due from subsidiaries	**–**	–	**251,755**	392,376
Pledged bank deposits	**106,500**	39,000	**106,500**	39,000
Cash and cash equivalents	**197,882**	241,778	**171,676**	176,236
	725,821	582,299	**627,320**	664,530

33 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Credit quality of loan receivables

The credit quality of loan receivables can be analysed as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Gross loans and advances to customers		
– neither past due nor impaired	**210,916**	4,056
– past due but not impaired	**9,877**	421
– impaired	**1,500**	1,500
	222,293	5,977

(iii) Collateral and other credit enhancements

The Group holds collateral against loan receivables in the form of second equitable mortgage, share charge, securities over mining license and assets, and guarantees.

33 Financial risk management (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, including the terms of bank loans, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay.

33 Financial risk management (continued)

(b) Liquidity risk (continued)

2010

	The Group						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	49,910	–	–	–	–	49,910	49,910
Amounts due to fellow subsidiaries	15,793	–	–	–	–	15,793	15,793
Loans from non-controlling shareholders	202	–	–	–	–	202	202
Secured bank loans	–	–	1,253	39,166	61,285	101,704	94,424
	65,905	–	1,253	39,166	61,285	167,609	160,329
Commitments	114,896	–	–	–	196	115,092	115,092
	180,801	–	1,253	39,166	61,481	282,701	275,421

	The Company						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	39,745	–	–	–	–	39,745	39,745
Amounts due to subsidiaries	685,817	–	–	–	–	685,817	685,817
	725,562	–	–	–	–	725,562	725,562
Commitments	15,548	–	–	–	196	15,744	15,744
	741,110	–	–	–	196	741,306	741,306

33 Financial risk management (continued)

(b) Liquidity risk (continued)

2009

	The Group						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	24,014	–	–	–	–	24,014	24,014
Amount due to a fellow subsidiary	14,314	–	–	–	–	14,314	14,314
Loans from non-controlling shareholders	36,755	–	–	–	–	36,755	36,755
	75,083	–	–	–	–	75,083	75,083
Commitments	8,546	–	–	–	91,120	99,666	99,666
	83,629	–	–	–	91,120	174,749	174,749

	The Company						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	22,177	–	–	–	–	22,177	22,177
Amounts due to subsidiaries	1,294,085	–	–	–	–	1,294,085	1,294,085
	1,316,262	–	–	–	–	1,316,262	1,316,262
Commitments	–	–	–	–	391	391	391
	1,316,262	–	–	–	391	1,316,653	1,316,653

33 Financial risk management (continued)

(c) Market risk

The Group is exposed to market risk through its interest bearing financial instruments and holdings of foreign currency denominated financial assets and liabilities. Further information about the Group's exposure to these risks and how they are managed is provided below. There have been no changes in the methods and assumptions used to prepare the information about the sensitivity of the Group's financial instruments to changes in variables compared to last year.

(i) Interest rate risk

Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to positions from assets with their value may be affected by the change in interest rates. The interest-sensitive positions is managed and monitored regularly, with an aim to control the interest rate risk.

The major interest bearing financial instruments and their range of effective interest rate are:

	The Group		The Company	
	2010	2009	**2010**	2009
	%	%	**%**	%
Loan receivables	**2.00 - 20.00**	6.00	**N/A**	N/A
Pledged bank deposits	**0.02 - 2.64**	0.08	**0.02 - 2.64**	0.08
Cash and cash equivalents	**0.01 - 0.75**	0.01 - 1.00	**0.01 - 0.75**	0.01 - 1.00
Amounts due to fellow subsidiaries	**4.00**	4.00	**N/A**	N/A
Secured bank loans	**5.13 - 5.60**	N/A	**N/A**	N/A

33 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following table indicates the mismatches of the expected interest repricing dates for interest bearing assets and liabilities at the end of the reporting period. Actual repricing dates may differ from the contractual dates owing to prepayments.

2010

	The Group				
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Loan receivables	13,987	15,107	191,699	–	220,793
Pledged bank deposits	65,000	41,500	–	–	106,500
Cash and cash equivalents	188,858	–	–	9,024	197,882
	267,845	56,607	191,699	9,024	525,175
Amounts due to fellow subsidiaries	(14,872)	–	–	(921)	(15,793)
Secured bank loans	–	(35,409)	(59,015)	–	(94,424)
	(14,872)	(35,409)	(59,015)	(921)	(110,217)
Interest rate sensitivity gap	252,973	21,198	132,684	8,103	414,958

	The Company			
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Pledged bank deposits	65,000	41,500	–	106,500
Cash and cash equivalents	169,738	–	1,938	171,676
	234,738	41,500	1,938	278,176

33 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

2009

	The Group			
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Loan receivables	4,477	–	–	4,477
Pledged bank deposits	–	39,000	–	39,000
Cash and cash equivalents	183,972	–	57,806	241,778
	188,449	39,000	57,806	285,255
Amount due to a fellow subsidiary	(14,314)	–	–	(14,314)
Interest rate sensitivity gap	174,135	39,000	57,806	270,941

	The Company			
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Pledged bank deposits	–	39,000	–	39,000
Cash and cash equivalents	169,073	–	7,163	176,236
	169,073	39,000	7,163	215,236

33 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2010, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's and the Company's profit after tax by approximately HK$3,746,000 and HK$2,717,000 respectively (2009: HK$2,160,000 and HK$2,081,000 respectively). The extent of decrease in interest rates is expected to be minimal which would decrease the Group's and the Company's profit after tax by an insignificant amount.

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

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

The following table details the Group's material exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

2010

	The Group		The Company	
	United States Dollars HK$'000	Singapore Dollars HK$'000	United States Dollars HK$'000	Singapore Dollars HK$'000
Financial asset at fair value through profit or loss	4,959	1,632	–	–
Loan receivables	114,285	–	–	–
Other receivables	8,571	–	–	–
Cash and cash equivalents	76,134	4,802	75,839	4,802
Loans from non-controlling shareholders	(172)	–	–	–
Amounts due to subsidiaries	–	–	(7,803)	(1,614)
Net exposure arising from recognised assets and liabilities	203,777	6,434	68,036	3,188

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

2009

	The Group		The Company	
	United States Dollars HK$'000	Singapore Dollars HK$'000	United States Dollars HK$'000	Singapore Dollars HK$'000
Financial assets at fair value through profit or loss	28,713	2,593	24,118	–
Cash and cash equivalents	79,636	3,070	69,486	3,070
Loans from non-controlling shareholders	(38)	–	–	–
Amounts due from subsidiaries	–	–	3,824	–
Amounts due to subsidiaries	–	–	(7,837)	–
Net exposure arising from recognised assets and liabilities	108,311	5,663	89,591	3,070

For purchases denominated in foreign currencies the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's and the Company's profit before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	The Group			
	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
		HK$'000		HK$'000
Singapore Dollars	**10%**	**643**	10%	566
	(10)%	**(643)**	(10)%	(566)

	The Company			
	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
		HK$'000		HK$'000
Singapore Dollars	**10%**	**319**	10%	307
	(10)%	**(319)**	(10)%	(307)

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis was performed on the same basis for the year ended 31 December 2009.

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investment (see note 18) and financial assets at fair value through profit or loss (see note 19).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) trade in the market.

33 Financial risk management (continued)

(d) Equity price risk (continued)

The Group's listed investments are listed on the Stock Exchange and other overseas recognised stock exchanges. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market index and other industry indicators, as well as the Group's liquidity needs.

The Group's unquoted investments are held for strategic purposes. Their performance is assessed at least bi-annually based on the information available to the Group, together with an assessment of their relevance to the Group's strategic plans.

At 31 December 2010, if the quoted market price of the Group's and Company's listed equity securities had been 10% higher/lower, then profit after tax (and retained profits) for the year would have been HK$5,673,000 (2009: HK$2,179,000) and HK$5,094,000 (2009: HK$1,248,000) higher/lower respectively, the effect of which will be classified as unrealised gain or loss on trading securities.

For the unlisted unit trust investment valued using a discounted cash flow model, if the discount rates used in the discounted cash flow valuation increased/decreased by 1%, this would have resulted in a decrease or increase in value of HK$644,000 (2009: HK$980,000) and HK$655,000 (2009: HK$1,008,000) respectively.

For the year ended 31 December 2009, the fair value of the option component of the unlisted debt security with embedded option was valued using the Black-Scholes option pricing model, which is based on assumptions that are not supported by observable market data. The fair value of this debt security would have been changed significantly if one or more of those assumptions were changed. If the market interest rate had been 10% higher or lower while all other variables were held constant, this would have resulted in an increase or decrease in value of HK$17,000 and HK$16,000 respectively.

33 Financial risk management (continued)

(d) Equity price risk (continued)

The sensitivity analysis has been determined assuming that the possible changes had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis was performed on the same basis for the year ended 31 December 2009.

34 Fair values of financial instruments

(a) Fair values

(i) Financial instruments carried at fair values

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

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, including listed equity securities with lock-up period

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

2010

	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Held-for-trading investments:								
– Listed equity securities	9,732	–	–	9,732	2,799	–	–	2,799
– Unlisted private equity funds	–	6,515	–	6,515	–	–	–	–
Financial assets designated at fair value through profit or loss								
– Listed equity securities	–	58,212	–	58,212	–	58,212	–	58,212
– Unlisted funds	–	20,552	–	20,552	–	20,552	–	20,552
Available-for-sale investment:								
– Unlisted unit trust investment	–	–	75,871	75,871	–	–	–	–
	9,732	85,279	75,871	170,882	2,799	78,764	–	81,563

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

2009

	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Held-for-trading investments:								
– Listed equity securities	26,092	–	–	26,092	14,950	–	–	14,950
– Unlisted private equity funds	–	7,149	–	7,149	–	–	–	–
Financial assets designated at fair value through profit or loss								
– Unlisted debt security with embedded option	–	–	24,118	24,118	–	–	24,118	24,118
Available-for-sale investment:								
– Unlisted unit trust investment	–	–	56,803	56,803	–	–	–	–
	26,092	7,149	80,921	114,162	14,950	–	24,118	39,068

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

During the year there were no significant transfers between instruments in Level 1 and Level 2.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. As at 31 December 2010 and 2009, the Group did not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently. As observable prices are not available for these securities, the Group has used valuation techniques to derive the fair value.

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	The Group			The Company
	Financial asset designated at fair value through profit or loss HK$'000	Available-for-sale investment HK$'000	Total HK$'000	Financial asset designated at fair value through profit or loss HK$'000
At 1 January 2010	24,118	56,803	80,921	24,118
Change in fair value recognised in other comprehensive income during the year	–	16,856	16,856	–
Transfer out of Level 3	(24,118)	–	(24,118)	(24,118)
Exchange adjustment	–	2,212	2,212	–
At 31 December 2010	–	75,871	75,871	–
Total gain or loss for the year included in profit or loss for assets held at the end of the reporting period	–	–	–	–
Total gain or loss for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	–	16,856	16,856	–

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows: (continued)

	The Group			The Company
	Financial asset designated at fair value through profit or loss HK$'000	Available-for-sale investment HK$'000	Total HK$'000	Financial asset designated at fair value through profit or loss HK$'000
At 1 January 2009	–	–	–	–
Payment for purchases	23,253	56,764	80,017	23,253
Change in fair value recognised in profit or loss during the year	865	–	865	865
Exchange adjustment	–	39	39	–
At 31 December 2009	24,118	56,803	80,921	24,118
Total gain or loss for the year included in profit or loss for assets held at the end of the reporting period	865	–	865	865
Total gain or loss for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	–	–	–	–

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

The above presents the investments whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

During the year, certain financial assets designated at fair value through profit or loss were transferred out of Level 3 of the fair value hierarchy when significant inputs used in their fair value measurements which were previously unobservable became observable.

(ii) Financial instruments carried at other than fair values

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

(b) Estimation of fair values

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

(i) Securities

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs. For the listed securities with lock-up condition, option value pricing model is used to discount on closing bid price. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

34 Fair values of financial instruments (continued)

(b) Estimation of fair values (continued)

(i) Securities (continued)

Fair values for the unquoted equity investments are estimated using discounted cash flow model or the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

(ii) Embedded derivatives

The fair value of the embedded option component of unlisted debt security was determined using Black-Scholes option pricing model with inputs which are based on market related data at the end of the reporting period.

(iii) Interest-bearing loans and borrowings

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

35 Commitments

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for	**115,092**	99,666	**15,744**	391

(b) At 31 December 2010, total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**718**	206	**–**	–
After 1 year but within 5 years	**937**	311	**–**	–
	1,655	517	**–**	–

The Group and the Company are the lessees in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease for a further period of three years when all terms are renegotiated.

36 Material related party transactions

(i) Transactions with related companies

During the year, the Group had transactions with related parties as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Management fee income from ultimate holding company	**46,000**	32,245	**46,000**	32,245
Interest income from non-controlling shareholders	**989**	–	**989**	–

The directors consider the above transactions were entered at normal commercial terms on arm-length basis.

36 Material related party transactions (continued)

(ii) Balances with related companies

		The Group		The Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due from ultimate holding company	(a)	**14,996**	17,850	**14,996**	17,850
Bank deposits with related companies (included in cash and cash equivalents)	(b)	**179,026**	170,033	**165,680**	159,388
Amounts due to fellow subsidiaries	(c)	**15,793**	14,314	**–**	–
Loans from non-controlling shareholders		**202**	36,755	**–**	–

The directors consider the above transactions were entered at normal commercial terms on arm-length basis.

Notes:

(a) The amount is unsecured, interest-free and is expected to be recovered within one year.

(b) The balance represents bank balances with two banking institutions, which are related companies of the ultimate holding company.

(c) The amount bears interest at 4% per annum, is unsecured and expected to be recovered within one year.

36 Material related party transactions (continued)

(iii) Key management personnel compensation

The remuneration of directors and other members of key management during the year was as follows:

	2010 HK$'000	2009 HK$'000
Short-term employment benefits	**12,027**	16,108
Post-employment benefits	**417**	541
Equity compensation benefits	**1,828**	1,107
	14,272	17,756

The amounts presented are net of amounts reimbursed from CIAM Parent under the Services Agreement. The amounts were presented on the same basis for 2009.

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

Total remuneration is included in “staff costs” (see note 6(b)).

37 Immediate and ultimate controlling party

At 31 December 2010, the directors consider the immediate parent is Right Precious Limited, a limited company incorporated in the British Virgin Islands, and the ultimate controlling party is CITIC International Assets Management Limited, a limited company incorporated in Hong Kong. These entities do not provide financial statements available for public use.

38 Accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies.

Key sources of estimation uncertainty

(i) Loan receivables

Loans portfolios are reviewed periodically to access whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data that the payments status of borrowers in a group has adversely changed. It may also include observable data in local or economic conditions that correlate with defaults on the assets in the Group. If management has determined, based on their judgement, that objective evidence of impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Group. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

38 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(ii) Unlisted investments

The fair values of unlisted available-for-sale investment and financial assets at fair value through profit or loss are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies and the source of the parameters adopted by the Group are discussed in note 34(a)(i).

The Group held certain investments with carrying value of HK$27,067,000 (2009: HK$7,149,000) in unlisted funds and unlisted private equity funds. The fair values of these investments were determined by the manager or trustee of the fund in the absence of a readily ascertainable market value. Management was of the opinion that this estimated fair value may differ significantly from the value that would have been used had a ready market existed, and the difference could be material.

(iii) Carried interest provision

Carried interest accruals are calculated based on hypothetical share of profits by eligible employees taking into account the cash already distributed from the Group and the amount of divestment proceeds receivable or to be received upon disposal as estimated by the management. The final amount of carried interest to be distributed to the eligible employees upon realisation of the investments may be significantly different from the amount reported at the end of the reporting period.

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial Instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

Five-Year Financial Summary

Results

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Continuing operations					
Revenue	**85,284**	36,952	(3,393)	8,060	144,600
Profit/(loss) before taxation from continuing operations	**45,890**	67,147	(22,962)	17,739	57,314
Income tax	**(1,952)**	–	(1,129)	(8,934)	(78)
Profit/(loss) for the year from continuing operations	**43,938**	67,147	(24,091)	8,805	57,236
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**–**	–	(46,204)	18,229	(3,452)
Profit/(loss) for the year	**43,938**	67,147	(70,295)	27,034	53,784
Attributable to:					
Equity shareholders of the Company	**44,149**	64,332	(70,289)	27,046	53,986
Non-controlling interests	**(211)**	2,815	(6)	(12)	(202)
Profit/(loss) for the year	**43,938**	67,147	(70,295)	27,034	53,784

Assets and liabilities

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Total assets	**869,026**	706,447	698,731	864,223	862,385
Total liabilities	**(174,184)**	(77,575)	(216,042)	(277,899)	(286,422)
	694,842	628,872	482,689	586,324	575,963
Equity attributable to equity shareholders of the Company	**694,982**	623,869	479,833	585,403	575,030
Non-controlling interests	**(140)**	5,003	2,856	921	933
Total equity	**694,842**	628,872	482,689	586,324	575,963

Note: The financial information for the years ended 31 December 2006 and 2007 has been restated for the operations discontinued in 2007 and 2008.

CIAM Group Limited
事安集團有限公司

Subsidiary of CITIC International Assets Management Limited