中國創新投資有限公司

China Innovation Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1217)

Annual Report 2010

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xiang Xin *(Chairman and Chief Executive Officer)*
Mr. Chan Cheong Yee
Mr. Wong Chak Keung

Non-executive Director

Mr. Ng Kwong Chue Paul

Independent Non-executive Directors

Mr. David Wang Xin
Mr. Zang Hong Liang
Mr. Lee Wing Hang

COMPANY SECRETARY

Mr. Wong Chak Keung

AUTHORIZED REPRESENTATIVES

Mr. Xiang Xin
Mr. Wong Chak Keung

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. David Wang Xin *(Chairman)*
Mr. Zang Hong Liang
Mr. Lee Wing Hang

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West Road
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18/F., Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDITORS

Ascenda Cachet CPA Limited
Certified Public Accountants (Practising)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank
UBS AG

CUSTODIANS

China Everbright Securities (HK) Limited
Hang Seng Bank
UBS AG

STOCK CODE

1217

WEBSITE

www.1217.com.hk

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2010, the Company held investments in four unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Century Company Limited and Blue Angel (H.K.) Limited and carrying values of these investments were approximately HK$20,002,000, HK$51,355,000, HK$15,133,000 and HK$13,527,000 (after impairment provision of HK$4,500,000) respectively.

PROSPECT

The Company is one of the few investment companies in Hong Kong focusing investment in military and industrial sectors. We invest in listed and non-listed civil and military joint ventures with high quality to strive for medium-term gains from capital appreciation in the course of securitization of corporate assets invested, and apply the same as our key operation strategy and income source.

Leveraging on our experience and well-connected network in the Mainland market over years, the Company accelerates its pace apparently in investing in military and civil dual-used charge storage batteries, new models of lighting products, eco-equipment materials and energy-saving media terminals respectively through its investment. With energy conservation as our development goal, our investment have achieved breakthroughs in realising the military and civil dual-application in real projects.

By investing in the industries of "New Energy", "New Light", "New Materials" and "New Media", our objective in the investment is to form energy conservation solutions integrated with military and civil dual-application technology, such as solar photovoltaic energy, LED lighting, energy conserving materials and energy-saving media terminals, and to introduce innovative products to the market, including solar electric cars, solar energy electronic books and solar energy advertising screens.

For "New Energy", the Company invests in Topsun Creation Limited ("Topsun"), which adopts the power reserve patent technology of military aviation as its own core to develop the strategy of "Production – Research – Preliminary Research" for the research and manufacturing of solar photovoltaic system. With features of high capacity, fully sealed and maintenance-free, the system is widely used in military equipment and civil vehicles as well as construction, etc. It possesses a large room for growth and enormous development potential in both civil and military markets.

For "New Light", the Company invests in Aesthetic Vision Limited ("Aesthetic Vision"), and was also given with preference to make investment in China Opto-Electro Industries Co., Ltd ("COEI"), a wholly-owned subsidiary of CNGC (中國兵器工業集團). Aesthetic Vision's major product is LED lighting. It possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes.

For "New Materials", the Company invests in United Crown Century Company Limited ("United Crown Century"). Being the pioneer in the new energy-saving eco-sheet industry in the PRC market, United Crown Century mainly specializes in research and development of energy-saving eco-sheet materials for walls.

For "New Media", with key investments in "New Energy", "New Light" and "New Materials" as aforesaid, the Company plans to further innovate and apply these three new resources industries. The invested company, Blue Angel (H.K.) Limited ("Blue Angel"), mainly engages in producing and assembly of new products such as solar electric cars, solar energy electronic books and solar energy advertising screens with the use of solar energy and LED technologies, so as to develop a completed industry chain of four new energy and provide a one-stop production setting with synergy effect.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in new technologies like solar energy and LED, in order to build a greener low-carbon living environment.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost support and contribution to the Company during the year.

Xiang Xin
Chairman and Chief Executive Officer

Hong Kong, 22 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

On 30 April 2010, the Company entered into a termination agreement with Kenon Holdings Limited, whereby the parties have agreed to terminate the framework agreement in connection to the acquisition of a substantial portion of the issued share capital of C.G.E. (H.K.) Co., Limited ("CGE"), which was mainly attributable to the need of internal reorganization of the shareholdings in CGE. The termination agreement will provide flexibility to the parties in seeking for further cooperation.

On 7 June 2010, the Company and China Trends Holdings Limited ("China Trends", stock code: 8171.HK) jointly announced that (1)多達創新(中國)科技發展有限公司(transliterated as Dooda Innovation (China) Technology Development Limited) ("Dooda China"), an investment in the PRC made by the Company, through Dooda Innovation Limited, (2)博思(中國)信息系統有限公司(currently renamed as 博思夢想(中國)有限公司 and transliterated as Boss Dream (China) Limited) ("Boss China"), a PRC subsidiary of China Trends, and (3)惠州TCL光源科技有限公司(transliterated as Huizhou TCL Lighting Appliance Technology Limited) ("Huizhou TCL"), a member of TCL Corporation (the shares of which are listed on The Shenzhen Stock Exchange with stock code: 000100), entered into a strategic cooperation framework agreement to establish strategic cooperation for research and development, production, sales and distribution of energy-saving LED products, in particular areas such as energy management contract ("CEM") mode, in order to gain mutual benefits from sharing resources.

On 29 June 2010, the Company and China Trends jointly announced that the Company, China Trends and中國東方數控公司(transliterated as China Oriental Numerical Control Company Limited ("China Oriental Numerical Control"), a subsidiary of China North Industries Group Corporation, a state-owned enterprise under the direct administration of Central Government and is a military organisation authorised by the State, entered into a Letter of Intent to cooperate in areas such as running and marketing of CEM operation mode for applying new energy system on solar electric cars.

On 26 July 2010, Topsun Creation (China) Energy Technology Limited ("Topsun Creation China"), a company held by one of the Company's investments, entered into the Cooperation Agreement with the venture partners ("Venture Partners"), pursuant to which Topsun Creation China and the Venture Partners agreed to establish a joint venture in the PRC, with a registered capital of RMB50,000,000. Topsun Creation China and the Venture Partners will hold 77.5% and 22.5% interests in the joint venture respectively. The joint venture will mainly engage in the production and sale of the materials for the positive electrode of lithium battery business so as to further develop into the lithium battery business for Topsun Creation.

On 15 November 2010, the Company entered into the Equity Interests and Shareholders' Loan Swap Agreement with an independent third party, to swap the 150 A shares and 2,250 B shares it holds in the equity interests of Dooda Innovation Limited ("Dooda Innovation") for the 1,890 B shares that the independent third party holds in the equity interests of Aesthetic Vision Limited ("Aesthetic Vision"). At the same time, the Company will swap the shareholders' loan of Dooda Innovation amounted to HK$51,352,252 for the shareholders' loan of Aesthetic Vision amounted to HK$51,352,252, in order to enhance the strength in "New Light Resources".

INVESTMENT PORTFOLIOS

As at 31 December 2010, the Company hold the following investments:

(i) Topsun Creation Limited ("Topsun") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2010, Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity mainly dedicated to the research and development as well as marketing in the area of the lead acid batteries with energy-saving batteries for new energies as its major products. The characteristics of such product is high volume, whole sealing and maintenance free. The total investment of the Company in Topsun Creation (including shareholders' loan of HK$48,719,000 (the "Loan Facilities")) amounted to HK$68,721,000 and the Company holds 2,410 "B" non-voting shares in Topsun, representing 60.25% interest in the issued share capital of Topsun. The Company did not received any dividend from Topsun during the year.

(ii) Aesthetic Vision Limited ("Aesthetic") is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic Vision include its wholly-owned subsidiaries incorporated in the PRC of which its major product is LED lighting. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. The Company holds 6,300 "B" non-voting shares in Aesthetic, representing 63% interest in the issued share capital of Aesthetic. No dividend was received during the year.

(iii) United Crown Century Company Limited ("United Crown") is incorporated in Hong Kong and principally engaged in investment holding. The principal asset of United Crowed was indirectly 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving eco-materials for walls. The Company holds 12,644 "B" non-voting shares in United Crown, representing 52.68% interest in the issued share capital of United Crown. The Company did not received any dividend from United Crown during the year.

(iv) Blue Angel (H.K.) Limited (formerly known as SNG Hong Kong Limited) ("BA") is incorporated in Hong Kong and principally engaged in investment holding. BA holds a wholly-owned subsidiary incorporated in the PRC, of which the principal activity is producing and assembly of new products such as solar electric cars, solar energy electronic books and solar energy advertising screens with the use of solar energy and LED technologies, so as to develop a completed industry chain of four new energy and provide a one-stop production setting with synergy effect. As at 31 December 2010, the Company holds 12,500 "A" ordinary shares and 27,000 "B" ordinary shares in BA, which represented 51.3% interest in the issued share capital of BA. No dividend was received during the year.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2010, the Company had cash and bank balances of approximately HK$81,146,000. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks and securities houses in Hong Kong.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (net debt to shareholders' funds) as at 31 December 2010. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

FOREIGN CURRENCY FLUCTUATION

During the year, the Company conducted its business transactions principally in Renminbi and Hong Kong dollars. The Directors considered that the Company had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2010.

EMPLOYEE INFORMATION

As at 31 December 2010, the Company had 7 (2009: 9) employees and the total remuneration paid to staff (including directors' remuneration) was approximately of HK$5,683,000 (2009: of approximately HK$1,816,000) during the year under review. The Company ensured that its employees are remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of the Company is committed to establishing and maintaining high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders. The Company devotes to best practice on corporate governance, and to comply with the extent practicable, with 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").

During the year ended 31 December 2010, the Company has complied with the code provisions in the Code, save for deviation from Codes A.2.1 and A.4.1.

- The roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election.

Mr. Xiang Xin ("Mr. Xiang") performs both of the roles as the chairman and the chief executive officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that its is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board currently consists of three executive Directors, one non-executive Director and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the next general meeting after their appointment and shall be eligible for re-election.

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. Approval of the Board is required for the strategy of the Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

The Directors may have access to the advice and services of the company secretary of the Company with the view to ensuring that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The attendance of individual members at board meetings and executive committee meetings held during the year ended 31 December 2010 are set out as below:

Name of Directors	Board meetings Attendance	Executive Committee meetings Attendance
Executive Directors:		
Mr. Xiang Xin	3/3	29/29
Mr. Chan Cheong Yee	3/3	28/29
Mr. Wong Chak Keung	3/3	29/29
Non-executive Director:		
Mr. Ng Kwong Chue Paul	0/3	N/A
Independent non-executive Directors:		
Mr. David Wang Xin	0/3	N/A
Mr. Lee Wing Hang	0/3	N/A
Mr. Zang Hong Liang	0/3	N/A

The biographical details of the Directors are set out on pages 14 to 15 of this annual report.

To the best knowledge of the Company, none of the Directors above has any financial, business and family or other material/relevant relationship with any of the other Directors.

All independent non-executive Directors are financially independent from the Company. The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company.

Such practice deviates from code provision A.2.1 of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that its is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

The chairman's and the chief executive officer's responsibility is to manage the Board and the Company's day-to-day business, respectively.

Management is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer. The chief executive officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee currently comprises three members, including all executive Directors of the Company.

The Executive Committee held periodical meetings during the year ended 31 December 2010 to review, discuss and evaluate the investment performance and other business and operational matters of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in 2006 with terms of reference as set out in the Code. The Remuneration Committee consists of three independent non-executive Directors. As at the date of this report, the members of the Remuneration Committee are as follows:

Mr. David Wang Xin *(Chairman)*
Mr. Zang Hong Liang
Mr. Lee Wing Hang

The principal duties of the Remuneration Committee include formulation of the remuneration policy; review and recommending to the Board the annual remuneration; make recommendation to the Board of the remuneration of non-executive directors; and determination of the remuneration of executive directors and members of the senior management.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was set up on 3 August 2007. In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

During the year ended 31 December 2010, there was no meeting held by the Nomination Committee in resolving the appointment of a new Director.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established by the Board since the listing of the Company's shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference adopted since its establishment in compliance with the Code as set out in Appendix 14 of the Listing Rules. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

Mr. David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met at least twice during the year and the respective attendance at such meeting during the year ended 31 December 2010 was:

Name of Directors	Attendance
Mr. David Wang Xin	2/2
Mr. Lee Wing Hang	2/2
Mr. Zang Hong Liang	2/2

The Audit Committee is responsible for reviewing the Company's interim and annual financial statements and making recommendation as to the approval of the Company's interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half-year results for the period ended 30 June 2010 and the annual results for the year ended 31 December 2010 of the Company before announcement of both results.

INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company's simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Company's risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has conducted a review of the effectiveness of the Company's internal control system, and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Company's assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company's internal control systems is sufficient.

FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2010, the Directors have:

- based on a going concern basis;
- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable;
- ensured that the financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

EXTERNAL AUDITORS

The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 26 and 27.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid and payable to the Company's auditors, Ascenda Cachet CPA Limited and other professional parties are set out as follow:

Ascenda Cachet CPA Limited	
Audit fee for the year	HK$128,000
Graham H.Y. Chan & Co.,	
Non-audit services	HK$3,500
Others	HK$8,900

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xiang Xin, aged 48, an executive Director and the chief executive officer, joined the Company in January 2003. Mr. Xiang has worked for quite a few large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also has many years of experience in project investment and telecommunications network businesses. Mr. Xiang holds a bachelor degree in Science and a master degree in Engineering from Nanjing University of Science & Technology. Mr. Xiang is also an executive director of China Trends Holdings Limited, a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange, with effect from 25 February 2008.

Mr. Chan Cheong Yee, aged 47, the executive director of the Company, joined the Company in June 2003. Mr. Chan holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for 20 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is both the executive director of Agritrade Resources Limited and Garron International Limited, which are listed on the main board respectively, and also the executive director of Bingo Group Holdings Limited, a company listed on GEM.

Mr. Wong Chak Keung, aged 44, an executive Director and company secretary of the Company, joined the Company in November 2007. Mr. Wong holds a bachelor degree in business from The University of Southern Queensland in Australia. Mr. Wong is also a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia respectively. Mr. Wong has been in the accounting profession for over 15 years. Mr. Wong worked in various positions in an international accounting firm, corporate finance, educational business and manufacturing sector in Hong Kong. Mr. Wong is currently an executive director and company secretary of China Trends Holdings Limited and an independent non-executive director of Bingo Group Holdings Limited, which are listed on the GEM respectively, and an independent non-executive director of China Seven Star Shopping Limited, a company listed on the main board.

NON-EXECUTIVE DIRECTOR

Mr. Ng Kwong Chue Paul, aged 40, a non-executive Director, joined the Company as executive Director in April 2003 and re-designated as non-executive Director in May 2006. He has more than 12 years of experience in audit, taxation and corporate finance areas. Mr. Ng was one of the founders of the Company. Mr. Ng is also the company secretary and chief investment officer of JLF Investment Company Limited, a company listed on the main board of the Hong Kong Stock Exchange. Mr. Ng had managed a private equity funds with total fund size over HK$700 million. Mr. Ng holds a bachelor degree in Commerce from The University of Melbourne. Mr. Ng is a member of CPA Australia, Hong Kong Institute of Certified Public Accountants and Hong Kong Securities Institute.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Wang Xin, aged 48, an independent non-executive Director and is a chairman of the audit committee of the Company, joined the Company in October 2002. Mr. Wang is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor's degree in Mechanical Engineering in 1982 and a master's degree in Business Administration in 1985.

Mr. Zang Hong Liang, aged 42, an independent non-executive Director and is a member of the audit committee of the Company, joined the Company in September 2004. Mr. Zang is at present a partner of Global Law Office, a large law firm in the PRC. Mr. Zang graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. Mr. Zang holds a bachelor degree in International Economic Law and a master degree in Commercial Law. Mr. Zang's area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping.

Mr. Lee Wing Hang, aged 42, an independent non-executive Director and a member of the audit committee of the Company, joined the Company in December 2006. Mr. Lee is the partner of Tony W. H. Lee & Co., Certified Public Accountants (Practising). Mr. Lee holds a bachelor degree in accountancy from Australia. Mr. Lee has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

REPORT OF THE DIRECTORS

The directors (the "Directors") of the Company have pleasure to present their report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

The principal activity of the Company has not changed during the year and is principally engaged in investment holding.

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and the People's Republic of China ("PRC").

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the income statement on page 28.

The Board has resolved not to declare any dividend (2009: nil) for the year under review.

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 31.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movement in property, plant and equipment, and investment properties of the Company during the year are set out in notes 13 and 14 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution.

As at 31 December 2010, the Company had distributable reserves amounting to approximately HK$294,194,000 (2009: approximately HK$258,113,000).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out below:

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue *(note)*	**2,848**	10,801	17,922	4,102	428
Profit/(loss) attributable to owners of the Company	**3,586**	30,739	(28,165)	(5,089)	(1,187)
Total assets	**404,569**	348,224	258,882	201,961	29,563
Total liabilities	**(11,763)**	(319)	(7,340)	(1,601)	(435)
Net assets	**392,806**	347,905	251,542	200,360	29,128

Note: Revenue for 2006 to 2007 were restated to conform with current year presentation.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 20 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Xiang Xin *(Chairman and Chief Executive Officer)*
Mr. Chan Cheong Yee
Mr. Wong Chak Keung

Non-executive Director:

Mr. Ng Kwong Chue Paul

Independent non-executive Directors:

Mr. David Wang Xin
Mr. Zang Hong Liang
Mr. Lee Wing Hang

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. Xiang Xin, Mr. Chan Cheong Yee and Mr. Wong Chak Keung shall retire and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and reelection at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 14 to 15 of this annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2010, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK$0.01 each in the capital of the Company (the "Share"), underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

(i) Long position in the Shares

Name	Interest in Shares	Capacity	Approximate percentage of interests
Xiang Xin	1,723,335,379	Corporate interests *(note 1)*	24.69%
Wong Chak Keung	10,656,000	Beneficiary	0.15%

Note:

1. The 1,723,335,379 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

(ii) Long position in the underlying shares – share options

Name	Date of grant	Exercise period	Number of share options outstanding as at 31 December 2010	Exercise price per share	Number of total underlying Shares	Approximate percentage of interests
Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	17,040,000	0.0500	22,040,000	0.32%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Chan Cheong Yee	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	0.2000	20,000,000	0.29%
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	6,384,000	0.0500	26,384,000	0.38%
	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	0.2000		
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	23,764,262	0.34%
	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	8,520,000	0.0500		
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	26,137,704	0.37%
	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	17,040,000	0.0500		
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	17,040,000	0.0500	22,040,000	0.32%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	10,000,000	0.0500	15,000,000	0.21%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		

Note:

1. The original exercise period of these share options were lapsed on 15 October 2010. By a board of directors' resolution dated 15 October 2010, which is subject to the approval of the shareholder of the Company at a general meeting to be convened, the exercise period of the outstanding options will be extended to 17 October 2013.

(iii) Long position in the unlisted warrants ("2008 Warrants") of the Company

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Xiang Xin	800,000,000	Corporate interest *(note 1)*	11.46%

Note:

1. The underlying Shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

The 2008 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK$0.20 per Share (subject to adjustment) until 29 January 2013.

Save as disclosed above, none of the Directors or the chief executive of the Company or any of their respective associates had, as at 31 December 2010, any interests and short positions in the shares, underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SHARE OPTION SCHEME

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme"), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

As at 31 December 2010, a total of 423,797,183 share options (representing approximately 6.07% of the existing issued share capital of the Company at that date) have been granted and outstanding pursuant to the Scheme.

Details of the options granted under the Scheme and outstanding at 31 December 2010 are as follows:

			Number of share options					
Name	**Date of grant**	**Exercise period**	**Outstanding as at 1 January 2010**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding as at 31 December 2010**	**Price per share to be paid on exercise of options**
								HK$
Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	17,040,000	–	–	–	17,040,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	–	–	–	5,000,000	0.2000
Chan Cheong Yee	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	–	–	–	20,000,000	0.2000
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	6,384,000	–	–	–	6,384,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	–	–	–	20,000,000	0.2000
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	–	–	–	10,244,262	0.0244
	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	8,520,000	–	–	–	8,520,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	–	–	–	5,000,000	0.2000

Name	Date of grant	Exercise period	Outstanding as at 1 January 2010	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding as at 31 December 2010	Price per share to be paid on exercise of options
			Number of share options					HK$
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	–	–	–	4,097,704	0.0244
	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	17,040,000	–	–	–	17,040,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	–	–	–	5,000,000	0.2000
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	17,040,000	–	–	–	17,040,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	–	–	–	5,000,000	0.2000
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	10,000,000	–	–	–	10,000,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	–	–	–	5,000,000	0.2000
Others								
Business advisors	29.1.2003	28.8.2003 to 27.8.2013	104,901,217	–	–	–	104,901,217	0.0244
	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	82,104,000	–	–	(8,520,000)	73,584,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	45,000,000	–	–	–	45,000,000	0.2000
Employees	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	1,426,000	–	–	–	1,426,000	0.0500
Steering committee members	18.10.2007	18.10.2007 to 15.10.2010 *(note 1)*	8,520,000	–	–	–	8,520,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	35,000,000	–	–	–	35,000,000	0.2000
			432,317,183	–	–	(8,520,000)	423,797,183	

Note:

1. The original exercise period of these share options were lapsed on 15 October 2010. By a board of directors' resolution dated 15 October 2010, which is subject to the approval of the shareholder of the Company at a general meeting to be convened, the exercise period of the outstanding options will be extended to 17 October 2013.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the persons/companies, other than a 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(i) Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited *(note 1)*	Corporate	1,723,335,379	24.69%
Kung Ching *(note 2)*	Family Corporate	1,723,335,379	24.69%
Guard Max Limited	Beneficiary	800,000,000	11.46%
Zhang Gui Sen *(note 3)*	Deemed	800,000,000	11.46%
China Seed International Limited	Beneficiary	800,000,000	11.46%
Yu Wang Shen *(note 4)*	Deemed	800,000,000	11.46%

(ii) Long position in the unlisted warrants ("2008 Warrants") of the Company

Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Harvest Rise Investments Limited *(note 1)*	800,000,000	Beneficiary	11.46%
Kung Ching *(note 2)*	800,000,000	Family corporate	11.46%

The 2008 Warrants entitle the holders to subscribe for new Shares at a subscription price of HK$0.20 per Share (subject to adjustment) until 29 January 2013.

Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

2. Ms. Kung Ching, the spouse of Mr. Xiang, is deemed to have interest in the Shares and underlying Shares held by Harvest Rise Investments Limited as mentioned in note 1 above.

3. Guard Max Limited is a private company wholly and beneficially owned by Mr. Zhang Gui Sen. Mr. Zhang Gui Sen is deemed to have interest in 800,000,000 shares held by Guard Max Limited.

4. China Seed International Limited is a private company wholly and beneficially owned by Mr. Yu Wang Shen. Mr. Yu Wang Shen is deemed to have interest in 800,000,000 shares held by China Seed International Limited.

Save as disclosed above, as at 31 December 2010, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Other than the share option scheme as disclosed under the heading "Share Option Scheme" above, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or the chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right.

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

During the year, the Company had not purchased, sold or redeemed any of its listed securities.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 27 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 27 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

All significant connected transactions entered by the Company during the year ended 31 December 2010 are disclosed in note 27 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

RETIREMENT BENEFITS SCHEME

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

For the year ended 31 December 2010, no forfeited contribution to the retirement benefits scheme was credited to the income statement (2009: nil).

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 8 to 13.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2010.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Company are set up in note 25 to the financial statements.

AUDITORS

The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by Graham H.Y. Chan & Co.

During the year, Graham H.Y. Chan & Co resigned as auditors of the Company and Ascenda Cachet CPA Limited was appointed by the shareholders of the Company as auditors of the Company to fill the causal vacancy so arising.

The financial statements for the year ended 31 December 2010 have been audited by Ascenda Cachet CPA Limited who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of Ascenda Cachet CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By order of the Board

Xiang Xin
Chairman and Chief Executive Officer

Hong Kong, 22 March 2011

INDEPENDENT AUDITORS' REPORT

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

To the shareholders of China Innovation Investment Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the financial statements of China Innovation Investment Limited (the "Company") set out on pages 28 to 96, which comprise the statement of financial position as at 31 December 2010, and the income statement, the statement of comprehensive income, the statement of changes in equity and the 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 these 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 ("HKICPA") 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 auditors consider internal control relevant to the entity's preparation 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 financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2010, and of its profit and cash flows for 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.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
22 March 2011

INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Gross sales proceeds of financial assets at fair value through profit or loss and available-for-sale investments		**44,331**	49,832
REVENUE			
Interest income		**2,187**	7,438
Dividend income arising from available-for-sale investments		**661**	817
Net realised gains on disposal of financial assets at fair value through profit or loss		**–**	2,546
	5	**2,848**	10,801
Other income and gains		**–**	1,506
Net realised gains on disposal of available-for-sale investments		**7,955**	8,644
Fair value gains on investment properties		**6,000**	16,691
	5	**13,955**	**26,841**
Net realised losses on disposal of financial assets at fair value through profit or loss		**(2,439)**	–
Administrative and other operating expenses		**(10,778)**	(6,294)
Finance costs	6	**–**	(609)
PROFIT BEFORE TAX	7	**3,586**	30,739
Income tax expense	10	**–**	–
PROFIT FOR THE YEAR		**3,586**	30,739
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic		**0.05 cents**	0.58 cents
Diluted		**0.05 cents**	0.57 cents

Details of the dividends declared for the year are disclosed in note 12 to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 *HK$'000*	2009 *HK$'000*
PROFIT FOR THE YEAR	**3,586**	30,739
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
– Change in fair value	**–**	11,245
– Reclassification adjustments for (gains)/losses included in income statement	**(2,862)**	6,586
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(2,862)**	17,831
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**724**	48,570

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON–CURRENT ASSETS			
Property, plant and equipment	13	5,730	2,516
Investment properties	14	54,000	48,000
Available-for-sale investments	15	100,017	114,067
Loan receivables	16	158,795	56,576
Deposit for acquisition of property, plant and equipment		–	303
Total non-current assets		318,542	221,462
CURRENT ASSETS			
Interest receivables	16(i)	2,058	973
Prepayments, deposits and other receivables	17	2,823	3,393
Cash and bank balances	18	81,146	122,396
Total current assets		86,027	126,762
CURRENT LIABILITIES			
Other payables and accruals	19	11,763	319
Total current liabilities		11,763	319
NET CURRENT ASSETS		74,264	126,443
TOTAL ASSETS LESS CURRENT LIABILITIES		392,806	347,905
Net assets		392,806	347,905
EQUITY			
Issued capital	20	69,794	61,709
Reserves		323,012	286,196
Total equity		392,806	347,905
Net asset value per share	22	HK$0.06	HK$0.06

Xiang Xin
Director

Wong Chak Keung
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000 (note (ii))	Available-for-sale investment revaluation reserve HK$'000 (note (iii))	Convertible bond equity reserve HK$'000 (note (iv))	Accumulated losses HK$'000 (note (i))	Total HK$'000
At 1 January 2009	51,687	239,922	25,259	(14,969)	3,456	(53,813)	251,542
Issue of shares for acquisition of available-for-sale investments	8,000	32,000	–	–	–	–	40,000
Conversion of convertible notes	2,000	9,142	–	–	(3,456)	–	7,686
Exercise of share options	22	123	(38)	–	–	–	107
Total comprehensive income for the year	–	–	–	17,831	–	30,739	48,570
At 31 December 2009 and at 1 January 2010	61,709	281,187	25,221	2,862	–	(23,074)	347,905
Issue of shares upon acquisition of available-for-sale investments (note 20(a)(v))	4,000	16,000	–	–	–	–	20,000
Issue of shares for acquisition of a shareholder loan in an investee company (note 20(a)(vi))	4,000	16,000	–	–	–	–	20,000
Exercise of share options (note 20(a)(iv))	85	495	(154)	–	–	–	426
Change in fair value of share options arising from extension of exercise period	–	–	3,751	–	–	–	3,751
Total comprehensive income for the year	–	–	–	(2,862)	–	3,586	724
At 31 December 2010	69,794	313,682	28,818	–	–	(19,488)	392,806

Notes:

(i) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution. Dividend may also be declared out of share premium account of the Company. As at 31 December 2010, the Company's reserve available for distribution amounted to approximately HK$294,194,000 (2009: approximately HK$258,113,000).

(ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2. Further information about share-based payments is set out in note 21 to the financial statements.

(iii) The available-for-sale investment revaluation reserve arises on the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the reserve related to that financial asset, and is effectively realised, is recognised in income statement. Details of which are set out in note 15(a) to the financial statements.

(iv) The convertible bond equity reserve arises on the issue of convertible bond by the Company. It represents the option to convert the liability component into ordinary shares of the Company and will remain in convertible bond equity reserve until the conversion option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to retained profits.

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,586	30,739
Adjustments for:		
Fair value change of financial assets at fair value through profit or loss	–	(2,497)
Loss on disposal of financial assets at fair value through profit or loss	2,439	–
Gain on disposal of available-for-sale investments	(7,955)	(8,644)
Fair value gains on investment properties	(6,000)	(16,691)
Interest expenses on zero-coupon convertible bonds	–	609
Depreciation	841	259
Interest income	(2,187)	(7,438)
Dividend income arising from available-for-sale investments	(661)	(817)
Equity-settled share option expenses	3,751	–
	(6,186)	(4,480)
Decrease/(increase) in prepayments, deposits and other receivables	570	(2,742)
(Decrease)/increase in other payables and accruals	(45)	56
Net cash used in operating activities	(5,661)	(7,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	–	49,594
Payment for acquisition of available-for-sale investments	(2,638)	(11,353)
Proceeds from disposal of available-for-sale investments	41,810	45,555
Loss on disposal of financial assets at fair value through profit or loss	(2,439)	–
Payment for acquisition of property, plant and equipment	(3,752)	(1,829)
Deposit for acquisition of property, plant and equipment	–	(303)
Purchase of investment properties	–	(31,309)
New loan receivables granted	(70,759)	(33,000)
Interest received	1,102	6,464
Dividend received arising from available-for-sale investments	661	817
Net cash flows (used in)/from investing activities	(36,015)	24,636

STATEMENT OF CASH FLOWS
Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares upon exercise of share options	**426**	107
Net cash flows from financing activities	**426**	107
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(41,250)**	17,577
Cash and cash equivalents at beginning of year	**122,396**	104,819
CASH AND CASH EQUIVALENTS AT END OF YEAR	**81,146**	122,396
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**16,075**	92,394
Non-pledged time deposits with original maturity of less than three months when acquired	**65,071**	30,002
	81,146	122,396

1. CORPORATE INFORMATION

China Innovation Investment Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at 26/F., 9 Des Voeux Road West, Sheung Wan, Hong Kong. The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 August 2002.

The Company's principal activity has not changed during the year and is principally engaged in investment holding. Its principal investment objective is to achieve short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities of the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain available-for-sale investments in listed shares, which are stated at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except otherwise indicated.

2.2 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

2.3 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

While the adoption of those changes will result in changes in the accounting policy, the changes are unlikely to have any significant impact on the Company. Further information about those changes that are expected to have a significant impact on the Company's policies is as follows:

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

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

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

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”). The changes resulting from the Amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (“OCI”). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

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

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

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

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

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

(a) *(Continued)*

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

Related parties

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

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

(b) the party is an associate;

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

(d) the party is a member of the key management personnel of the Company;

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	over the lease terms – 20%
Office equipments	20%
Furniture and fixtures	20%
Yacht	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Company's financial assets include cash and bank balances, loans receivables, interest receivables, prepayments, deposits and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments (Continued)

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

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

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

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include other payables.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Cash and cash equivalents

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

For the purpose of the statement of financial positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Revenue recognition

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

(a) Net realised gains or losses on sales of investment held for trading are recognised on a trade-date basis when contracts are executed;

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Binomial Option Pricing Model, further details of which are given in note 21 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

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

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

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

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

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

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

The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Company's employer voluntary contributions, which are refunded to the Company when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Recognition and classification of each categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the classification in respect of each categories of financial instruments are made based on management's intention, best estimates and judgements.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Assessment of impairment of non-current assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The management of the Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimate of impairment of investment in listed and unlisted debts and securities

In the absence of information of an active market for unlisted debts and securities, the directors of the Company determine the amount within a range of reasonable impairment estimates by considering information from a variety of sources including:

(i) Bi-annual review on the operating results and net asset value of an invested entity at the end of the reporting period;

(ii) Historical operating performance and dividend distribution of the invested entity; and

(iii) Gearing position and liquidity to meet working capital requirement of an invested entity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Share-based payment expenses

The share-based payment expense is subject to the limitations of the Binomial Option Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Value of zero-coupon convertible bonds

The fair value of the liability component was calculated based on discounted cash flow over the remaining contractual term of the convertible bonds and the residual amount represented the value of the equity conversion component. It is based on the significant inputs into calculation included interest rate, risk free rate and terms and conditions of the convertible bonds.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Company's primary operating segment is investment holding which comprises the investing in listed and unlisted companies in order to achieve short and medium-term capital appreciation. Since this is the only operating segment of the Company, no further analysis thereof is presented.

Geographical information

The Company's segment assets and liabilities for the years ended 31 December 2009 and 2010, analysed by geographical market, are as follows:

	Hong Kong		PRC (not including Hong Kong)		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES						
ASSETS						
Segment assets	**192,257**	244,671	**212,312**	103,553	**404,569**	348,224
LIABILITIES						
Segment liabilities	**11,763**	319	**–**	–	**11,763**	319
OTHER INFORMATION						
Capital additions	**4,055**	33,138	**–**	–	**4,055**	33,138
Fair value gains on investment properties	**6,000**	16,691	**–**	–	**6,000**	16,691
Depreciation	**841**	259	**–**	–	**841**	259

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the revenue, other income and gains of the Company is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Revenue		
Interest income	2,187	7,438
Dividend income arising from available-for-sale investments	661	817
Net realised gains on disposal of financial assets at fair value through profit or loss	–	2,546
Total revenue	2,848	10,801
Other income and gains		
Sundry income	–	1,506
Net realised gains on disposal of available-for-sale investments	7,955	8,644
Fair value gains on investment properties *(note 14)*	6,000	16,691
Total other income and gains	13,955	26,841
Total revenue, other income and gains	16,803	37,642

6. FINANCE COSTS

An analysis of finance cost is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Interest:		
Notional interest expenses on zero-coupon convertible bonds	–	609

7. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	2010 *HK$'000*	2009 *HK$'000*
Auditors' remuneration	**128**	128
Depreciation	**841**	259
Investment manager's fee	**300**	300
Net realised losses on disposal of financial assets at fair value through profit or loss	**2,439**	–
Employee benefits expenses (including directors' remuneration *(note 8)*):		
Wages, salaries and welfare	**1,870**	1,761
Pension scheme contributions	**62**	55
Equity-settled share option expenses – change in fair value of share options arising from extension of exercise period	**3,751**	–
	5,683	1,816
Minimum lease payments under operating leases, land and buildings	**960**	960
Interest income	**(2,187)**	(7,438)
Net realised gains on disposal of available-for-sale investments	**(7,955)**	(8,644)
Fair value gains on investment properties	**(6,000)**	(16,691)

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Fees	30	33
Other emoluments:		
Salaries, allowances and benefits in kind	623	605
Equity-settled share option expenses	1,788	–
Pension scheme contributions	12	12
	2,423	617
	2,453	650

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2010					
Executive directors					
Xiang Xin	5	–	401	–	406
Chan Cheong Yee	5	–	–	–	5
Wong Chak Keung	–	618	150	12	780
	10	618	551	12	1,191
Non-executive director					
Ng Kwong Chue, Paul	5	–	200	–	205
Independent non-executive directors					
David Wang Xin	5	–	401	–	406
Zang Hong Liang	5	–	401	–	406
Lee Wing Hang	5	5	235	–	245
	15	5	1,037	–	1,057
Total	30	623	1,788	12	2,453

8. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2009					
Executive directors					
Xiang Xin	5	–	–	–	5
Chan Cheong Yee	5	–	–	–	5
Wong Chak Keung	–	600	–	12	612
	10	600	–	12	622
Non-executive directors					
Wong Qing Yu *(note (a))*	3	–	–	–	3
Ng Kwong Chue, Paul	5	–	–	–	5
	8	–	–	–	8
Independent non-executive directors					
David Wang Xin	5	–	–	–	5
Zang Hong Liang	5	–	–	–	5
Lee Wing Hang	5	5	–	–	10
	15	5	–	–	20
Total	33	605	–	12	650

Note (a): Wang Qing Yu resigned as a non-executive director of the Company with effect from 1 August 2009.

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

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Company; or as compensation for loss of office (2009: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2010	2009
Nil to HK$1,000,000	**7**	8

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: four) non-directors, highest paid employees for the year are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Salaries, allowances and benefits in kind	**239**	757
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**11**	33
	250	790

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

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**1**	4

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the year ended 31 December 2010 as the Company did not generate any assessable profits arising in Hong Kong during the year.

Hong Kong profits tax has not been provided for the year ended 31 December 2009 as the Company had available tax losses brought forward to offset the assessable profits generated during the year.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2010		2009	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	3,586		30,739	
Tax at the statutory tax rate	592	16.5	5,072	16.5
Income not subject to tax	(2,425)	(67.6)	(1,564)	(5.1)
Expenses not deductible for tax	618	17.2	–	–
Tax benefits not recognised/(utilised)	1,215	33.9	(3,415)	(11.1)
Others	–	–	(93)	(0.3)
Tax charge at the Company's effective tax rate	–	–	–	–

As at 31 December 2010, the Company had unused tax losses of approximately HK$23,944,000 (2009: HK$16,585,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$3,586,000 (2009: HK$30,739,000), and the weighted average number of ordinary shares of 6,576,842,630 (2009: 5,282,365,862) in issue during the year.

The calculations of basic earnings per share are based on:

	2010 HK$'000	2009 HK$'000
Earnings		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	3,586	30,739

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	6,576,842,630	5,282,365,862

Diluted earnings per share

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

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

Diluted earnings per share *(Continued)*

The calculations of diluted earnings per share are based on:

	2010 *HK$'000*	2009 *HK$'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**3,586**	30,739

	Number of shares 2010	 2009
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**6,576,842,630**	5,282,365,862
Effect on dilution – weighted average number of ordinary shares:		
– Share options	**104,997,901**	127,540,645
– Warrants	**–**	–
	6,681,840,531	5,409,906,507

12. DIVIDENDS

The Directors did not recommend the declaration of any dividend for the year ended 31 December 2010 (2009: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Yacht *HK$'000*	Total *HK$'000*
31 December 2010					
At 1 January 2010:					
Cost	2,400	152	285	–	2,837
Accumulated depreciation	(270)	(11)	(40)	–	(321)
Net carrying amount	2,130	141	245	–	2,516
At 1 January 2010, net of accumulated depreciation	2,130	141	245	–	2,516
Additions	–	–	29	4,026	4,055
Depreciation provided during the year	(481)	(30)	(62)	(268)	(841)
At 31 December 2010, net of accumulated depreciation	1,649	111	212	3,758	5,730
At 31 December 2010:					
Cost	2,400	152	314	4,026	6,892
Accumulated depreciation	(751)	(41)	(102)	(268)	(1,162)
Net carrying amount	1,649	111	212	3,758	5,730

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

	Leasehold improvement *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
31 December 2009				
At 1 January 2009:				
Cost	838	34	136	1,008
Accumulated depreciation	(51)	(2)	(9)	(62)
Net carrying amount	787	32	127	946
At 1 January 2009, net of accumulated depreciation	787	32	127	946
Additions	1,562	118	149	1,829
Depreciation provided during the year	(219)	(9)	(31)	(259)
At 31 December 2009, net of accumulated depreciation	2,130	141	245	2,516
At 31 December 2009:				
Cost	2,400	152	285	2,837
Accumulated depreciation	(270)	(11)	(40)	(321)
Net carrying amount	2,130	141	245	2,516

14. INVESTMENT PROPERTIES

	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 January	**48,000**	–
Additions	**–**	31,309
Gain on fair value adjustment *(note 5)*	**6,000**	16,691
Carrying amount at 31 December	**54,000**	48,000

The properties are situated in Hong Kong and are held under a medium term lease. As at 31 December 2010, the fair value of the investment properties was assessed by Ascent Partners Transaction Service Limited, an independent qualified professional valuer. The valuation was arrived at by reference to open market values of similar properties.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	HK$'000	*HK$'000*
Unlisted equity securities, at cost	**104,517**	84,478
Less: Impairment	**(4,500)**	(4,500)
Net carrying value *(note a)*	**100,017**	79,978
Listed equity securities, Hong Kong at fair value *(note b)*	**–**	34,089
Net carrying value	**100,017**	114,067

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes:

(a) The following is a list of the Company's unlisted available-for-sale investments as at 31 December 2010:

Unlisted equity securities

	2010						2009
Name of investee company	**Cost**	**Impairment loss recognised**	**Carrying amount**	**% of total assets of the Company**	**% of equity interest**	**% of voting right**	Carrying amount
	HK$'000	***HK$'000***	***HK$'000***				*HK$'000*
Blue Angel (H.K.) Limited ("Blue Angel") *(note (i))*	**18,027**	**(4,500)**	**13,527**	**3.3%**	**51%**	**25%**	4,500
Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu") *(note (ii))*	**–**	**–**	**–**	**–**	**–**	**–**	9,000
United Crown Century Company Limited (formerly known as Moral Glory Limited) ("United Crown") *(note (iii))*	**15,133**	**–**	**15,133**	**3.7%**	**53%**	**–**	–
Takenaka Investment Company Limited ("Takenaka") *(note (iv))*	**–**	**–**	**–**	**–**	**–**	**–**	15,125
Aesthetic Vision Limited (formerly known as Skyjet Limited) ("Aesthetic") *(note (v))*	**51,355**	**–**	**51,355**	**12.7%**	**63%**	**–**	–
Dooda Innovation Limited ("Dooda") *(note (vi))*	**–**	**–**	**–**	**–**	**–**	**–**	51,353
Topsun Creation Limited ("Topsun") *(note (vii))*	**20,002**	**–**	**20,002**	**4.9%**	**60%**	**–**	–
	104,517	**(4,500)**	**100,017**				79,978

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(i) Investment in Blue Angel (H.K.) Limited

The Company held 3,750 class A ordinary shares ("Blue Angel Class A Shares") in Blue Angel with a carrying value of HK$4,500,000 (after an impairment loss of HK$4,500,000), which represented 7.5% equity interest in the issued share capital of Blue Angel at 31 December 2009.

On 20 April 2010, the Company entered into a shares swap agreement (the "Blue Angel Shares Swap Agreement") with Freewin Group Limited ("Freewin Group"), a minority shareholder of Blue Angel who held 8,750 Blue Angel Class A Shares, representing 17.5% equity interest in Blue Angel. Pursuant to the Blue Angel Shares Swap Agreement, the Company swapped all its 250 ordinary shares in Jinan LuGu (representing 25% equity interest in Jinan LuGu) for 8,750 Blue Angel Class A shares (representing 17.5% equity interest in Blue Angel) with Freewin Group at a consideration of HK$9,000,000. Upon completion of the shares swap, the Company's equity interest in Blue Angel was increased from 7.5% to 25%.

On 25 June 2010, the Company further entered into a shareholder agreement, a subscription agreement and a loan agreement with Blue Angel (Holdings) Limited, the major shareholder of Blue Angel, and Blue Angel, pursuant to which, Blue Angel issued and allotted 27,000 class B shares ("Blue Angel Class B Shares") to the Company at a consideration of HK$27,000 while the Company agreed to provided a shareholder loan of HK$40,000,000 to Blue Angel which is unsecured, interest-free and repayable on 27 May 2039 (note 16(iii)). The Blue Angel Class B Shares rank pari passu with the Blue Angel Class A Shares in all aspects except for their non-voting rights. Upon completion of the allotment, the Company held 12,500 Blue Angel Class A Shares and 27,000 Blue Angel Class B Shares. Accordingly, the Company's equity interest in Blue Angel increased from 25% to approximately 51% since then.

Blue Angel is not accounted for as a subsidiary and or an associate of the Company as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, the investment in Blue Angel of approximately HK$13,527,000 (after impairment loss of HK$4,500,000) is classified as "available-for-sale investments" in the financial statements. No dividend was received from Blue Angel during the year (2009: nil).

The investment in Blue Angel is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(i) Investment in Blue Angel (H.K.) Limited *(Continued)*

Background information of Blue Angel

Blue Angel is incorporated in Hong Kong and is principally engaged in investment holding. In previous years, Blue Angel indirectly held 38.5% equity interest in a company (the "Blue Angel Subsidiary A") which was established in the People's Republic of China (the "PRC"), and was principally engaged in manufacturing and trading of 發光二極管芯片. The investment in Blue Angel was impaired by HK$4,500,000 as the Blue Angel Subsidiary A was deregistered during the year ended 31 December 2009.

During the year ended 31 December 2010, Blue Angel was principally invested in another wholly owned subsidiary which was established in the PRC and is principally engaged in conducting research and development, manufacturing and the distribution of products applying the solar energy technology. The net assets of the Blue Angel subsidiary amounted to approximately HK$135,142,000 as at 31 December 2010.

(ii) Investment in Jinan LuGu (HK) Technology Development Limited

The Company held 250 ordinary shares in Jinan LuGu at cost of HK$9,000,000, which represented 25% equity interest in the issued share capital of Jinan LuGu in 2009.

As detailed in note 15(i) above, the Company swapped all its 250 ordinary shares in Jinan LuGu (representing 25% equity interest in Jinan LuGu) for 8,750 Blue Angel class A shares (representing 17.5% equity interest in Blue Angel) during the year. Upon completion of the shares swap, the Company ceased to have any investment in Jinan LuGu.

No dividend was received from Jinan LuGu during the year (2009: nil).

Background information of Jinan LuGu

Jinan LuGu is incorporated in Hong Kong and is principally engaged in investment holding. It indirectly holds 59.5% equity interest in a company established in the PRC, which is principally engaged in manufacturing and trading of 陶瓷微電路基板，微電路模塊，陶瓷電子元組件.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(iii) Investment in United Crown Century Company Limited (formerly known as Moral Glory Limited)

On 30 June 2010 and 2 July 2010, the Company entered into a shares and shareholder loans swap agreements (the "United Crown Swap Agreements") with Miden Fair Group Limited ("Miden Fair"), a major shareholder of United Crown, who held (i) 8,526 class A shares (representing 61%) ("United Crown Class A Shares"); and (ii) 4,644 class B shares (representing 33%) ("United Crown Class B Shares"). Pursuant to the United Crown Swap Agreements, (a) United Crown issued and allotted 8,000 United Crown Class B Shares to the Company at a consideration of HK$8,000; United Crown Class B Shares to Miden Fair at a consideration of HK$2,000; (b) the Company swapped all its 30 ordinary shares in Takenaka (representing 30% equity interest in Takenaka) for 4,644 United Crown class B shares with Miden Fair at a consideration of approximately HK$15,125,000; and (c) the Company swapped its shareholder loan granted to Takenaka of approximately HK$23,576,000 for a shareholder loan with the same amount due by United Crown to Miden Fair (note 16(ii)).

The United Crown class B shares rank pari passu with the United Crown class A shares in all aspects except for their non-voting rights. Upon completion of the allotment and shares Swap, the Company held approximately 53% equity interest in United Crown.

United Crown is not accounted for as a subsidiary and or an associate of the Company as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, investment in United Crown of approximately HK$15,133,000 is classified as "available-for-sale investments" in the financial statements. No dividend was received from United Crown during the year.

The investment in United Crown is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of United Crown

United Crown is incorporated in Hong Kong and is principally engaged in investment holding. At 31 December 2010, the principal asset of United Crown was its indirect 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development of energy-saving eco-material for walls. The net assets of this subsidiary was approximately HK$164,128,000 as at 31 December 2010.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(iv) Investment in Takenaka Investment Company Limited

The Company held 30 ordinary shares in Takenaka at cost of approximately HK$15,125,000, which represented 30% equity interest in the issued share capital of Takenaka in 2009.

As detailed in note 15(iii) above, the Company swapped all its 30 ordinary shares in Takenaka (representing 30% equity interest in Takenaka) for 4,644 United Crown class B shares during the year. Upon completion of the shares swap, the Company ceased to have any investment in Takenaka.

No dividend was received from Takenaka during the year (2009: nil).

Background information of Takenaka

Takenaka is incorporated in the British Virgin Islands and is principally engaged in investment holding. Takenaka indirectly held 65% equity interest in a company established in the PRC which is principally engaged in manufacturing and distribution of copper foils for civil and military uses.

(v) Investment in Aesthetic Vision Limited (formerly known as Skyjet Limited)

On 15 November 2010, the Company entered into a shares swap and subscription agreement (the "Aesthetic Shares Swap Agreement") with Joy China Group Limited ("Joy China"), the sole shareholder of Aesthetic who holds (i) 1,000 class A shares (representing 33%) ("Aesthetic Class A Shares"); and (ii) 2,000 class B shares (representing 67%) ("Aesthetic Class B Shares") in Aesthetic. Pursuant to the Aesthetic Shares Swap Agreement, the Company swapped its 2,250 non-voting shares and 150 voting shares in Dooda (representing 80% equity interest in Dooda) with Joy China for (a) 1,890 Aesthetic Class B Shares at a consideration of approximately HK$2,000; and (b) the subscription of 4,410 Aesthetic Class B Shares from Aesthetic at a consideration of approximately HK$51,353,000.

On 31 December 2010, Aesthetic issued and allotted (a) 2,590 Aesthetic Class B Shares to Joy China at a consideration of approximately HK$30,160,000; and (b) 4,410 Aesthetic Class B Shares to the Company at a consideration of approximately HK$51,353,000. The Aesthetic Class B Shares rank pari passu with the Aesthetic Class A Shares in all aspects except for their non-voting right. Upon completion of the shares swap and allotment, the Company held 63% equity interest in Aesthetic.

Aesthetic is not accounted for as a subsidiary and or an associate as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, investment in Aesthetic of approximately HK$51,355,000 is classified as "available-for-sale investments" in the financial statements. No dividend was received from Aesthetic during the year.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(v) Investment in Aesthetic Vision Limited (formerly known as Skyjet Limited) *(Continued)*

The investment in Aesthetic is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of Aesthetic

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the 100% equity interest in a company established in the PRC, which is principally engaged in manufacturing of LED lighting. Aesthetic, through the subsidiary, possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. Its products are widely used in military production as well as civic purposes. The net assets of the subsidiary of Aesthetic amounted to approximately HK$119,342,000 as at 31 December 2010.

(vi) Investment in Dooda Innovation Limited

The Company held 2,250 non-voting shares and 150 voting shares in Dooda, which represented an aggregate of 80% equity interest in the issued share capital of Dooda in 2009.

As detailed in note 15(v) above, the Company swapped its 2,250 non-voting shares and 150 voting shares in Dooda (representing 80% equity interest in Dooda) for 1,890 Aesthetic Class B Shares during the year. Upon completion of the shares swap, the Company ceased to have any investment in Dooda.

No dividend was received from Dooda during the year (2009: nil).

Background information of Dooda

Dooda is incorporated in Hong Kong and is principally engaged in investment holding. Dooda directly held 95% equity interest in a company established in the PRC, which is principally engaged in conducting research and development, manufacturing and distribution of products applying the new LED backlight and lighting technology.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(vii) Investment in Topsun Creation Limited

The Company entered into a sales and purchase agreement with China Seed International Limited ("China Seed"), which held 690 class A shares ("Topsun Class A Shares") and 310 class B shares ("Topsun Class B Shares") in Topsun, on 8 May 2009. Pursuant to which, among other things, the Company acquired 310 Topsun Class B Shares from China Seed at a consideration of HK$20,000,000. The consideration was satisfied by the issue of consideration shares of HK$0.01 each of the Company at an issue price of HK$0.05 per share. Accordingly, 400,000,000 shares of HK$0.01 each of the Company were allotted and issued as fully paid on 30 March 2010 (note 14(v)).

The Company further entered into a supplemental subscription agreement and a shareholder a loan agreement with Topsun on 6 May 2010 and 17 May 2010 respectively, pursuant to which, (a) Topsun issued and allotted 1,000 Topsun Class B Shares to the Company at a consideration of HK$1,000; and (b) the Company agreed to provide a shareholder loan (the "Topsun Loan") of approximately HK$17,259,000 to Topsun which is unsecured, interest-free and repayable on 26 March 2039.

On 28 June 2010 and 12 October 2010, the Company entered into a sales and purchase agreement with China Seed and a shareholder loan agreement with China Seed and Topsun. Pursuant to which, the Company acquired from China Seed (a) 1,100 Topsun Class B Shares at a consideration of RMB958 (equivalent to approximately HK$1,100); and (b) a shareholder loan to Topsun of RMB27,500,000 (equivalent to approximately HK$31,460,000) (the "Topsun Loan"). Part of the consideration of the Topsun Loan of HK$20,000,000 was satisfied by the issue of 400,000,000 consideration shares of HK$0.01 each of the Company at an issue price of HK$0.05. Accordingly, 400,000,000 shares of HK$0.01 each of the Company were allotted and issued on 14 October 2010 (note 20(a)(vi)). The remained consideration of approximately HK$11,460,000 was included in other payable in the statement of financial position.

As at 31 December 2010, the Company holds 2,410 Topsun Class B Shares, which represented approximately 60% equity interest in the issued share capital of Topsun. Topsun Class B Shares rank pari passu with Topsun Class A Shares in all aspects except for their non-voting rights.

Topsun is not accounted for as a subsidiary and or an associate of the Company as the directors of the Company are of the opinion that the Company is not in a position to control or exercise any significant influence over its financial and operating decisions. Accordingly, investment in Topsun of approximately HK$20,002,000 is classified as "available-for-sale investments" in the financial statements. No dividend was received from Topsun during the year.

15. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(vii) Investment in Topsun Creation Limited *(Continued)*

The investment in Topsun is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Background information of Topsun

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. As at 31 December 2010, the principal asset of Topsun was its 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development, manufacturing and distribution of products applying the solar energy technology. A new energy battery is one of the major products of Topsun. This battery has the characteristics of high capacity, fully sealed and maintenance-free, and are substantially used in tanks, submarines and barracks as well as civil vehicles and construction. Topsun is also planning to step into the industry of photovoltaic integration. The net assets of the subsidiary of Topsun was approximately HK$116,624,000 as at 31 December 2010.

(b) Balance represented Hong Kong listed equity securities acquired for trading purpose in 2008 which was reclassified from financial assets at fair value through profit or loss to available-for-sale investments pursuant to the amendments to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets".

As at 31 December 2009, the carrying amount which was also the fair value of the financial assets being reclassified amounted to HK$34,089,600 and there was a net fair value gain of approximately HK$2,862,000 recognised in the available-for-sale investment revaluation reserve.

All the listed equity securities were disposed in October 2010 with a gain of approximately HK$7,955,000.

16. LOAN RECEIVABLES

	2010 *HK$'000*	2009 *HK$'000*
Interest-bearing loan receivable		
– Morgan Strategic Loan *(note (i))*	**46,500**	33,000
Shareholder loan receivables		
– Takenaka Loan *(note (ii))*	**–**	23,576
– United Crown Loan *(note (ii))*	**23,576**	–
– Blue Angel Loan *(note (iii))*	**40,000**	–
– Topsun Loan *(note (iv))*	**48,719**	–
	158,795	56,576

(i) On 30 September 2009, the Company entered into a loan agreement with Morgan Strategic Limited ("Morgan Strategic"), an independent third party, pursuant to which, the Company agreed to provide a loan facility of up to HK$40,000,000 ("the Morgan Strategic Loan") to Morgan Strategic of which HK$33,000,000 was drawn by Morgan Strategic as at 31 December 2009. The Morgan Strategic Loan is unsecured, repayable on 25 May 2014 and bears interest at an effective interest rate (which equals to contractual interest rate) of 5% per annum.

On 22 June 2010, the Company further entered into a supplemental loan agreement with Morgan Strategic, pursuant to which, the Company increased the loan facility to HK$50,000,000 to Morgan Strategic, which is unsecured, bears an interest rate at 5% per annum and is repayable on 21 June 2015. As at 31 December 2010, the outstanding amount of the Morgan Strategic Loan was HK$46,500,000 and the corresponding interest receivable of approximately HK$2,058,000 (2009: HK$973,000) was included in interest receivable in the statement of financial position.

16. LOANS RECEIVABLES *(Continued)*

(ii) The Company had a shareholder loan due from Takenaka (the "Takenaka Loan") of approximately HK$23,576,000 which was acquired along with the 30% equity interest in Takenaka in prior year. The Takenaka Loan was unsecured and interest-free. During the year, pursuant to the United Crown Shares Swap Agreements, the Takenaka Loan has been swapped with Miden Fair for a shareholder loan with the same amount due by United Crown (the "United Crown Loan") (note 15(a)(iii)). The United Crown Loan in unsecured, interest-free and repayable on 27 September 2039.

(iii) On 25 June 2010, the Company entered into a loan agreement with Blue Angel, pursuant to which, the Company had provided a shareholder loan (the "Blue Angel Loan") of HK$40,000,000 to Blue Angel, which is unsecured, interest-free and repayable on 27 May 2039.

(iv) On 17 May 2010, the Company entered into a loan agreement with Topsun, pursuant to which, the Company provided a shareholder loan of HK$17,259,000 to Topsun. On 28 June 2010 and 12 October 2010, the Company further entered into a sales and purchase agreement with China Seed and a shareholder loan agreement with China Seed and Topsun, pursuant to which, the Company acquired from China Seed a shareholder loan to Topsun in the amount of approximately HK$31,460,000. The loan in aggregate amount of approximately HK$48,719,000 (the "Topsun Loan") is unsecured, interest free and repayable on 26 March 2039.

The loan receivables at the reporting date have good credit quality. Management believes that no impairment allowance is necessary in respect of these loan receivables as there has not been a significant change in credit quality.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Prepayments	2,607	643
Deposits	216	2,750
	2,823	3,393

None of the above assets is either past due or impaired.

18. CASH AND CASH EQUIVALENTS

	2010	2009
	HK$'000	*HK$'000*
Cash at banks		
Bank balances	1,741	40,072
Time deposits	65,071	30,002
	66,812	70,074
Cash on hand	3	32
Cash held in securities account of securities companies	14,331	52,290
	81,146	122,396

Cash at banks and held in securities account of securities companies earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for various periods from 1 day to 1 month depending on the immediate cash requirements of the Company and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

19. OTHER PAYABLES AND ACCRUALS

	2010 HK$'000	2009 HK$'000
Consideration for acquisition of investment *(note (a))*	11,460	–
Accruals	303	319
	11,763	319

Note (a): Amount represented part of the consideration payable of approximately HK$11,460,000 for acquisition of (a) 1,100 Topsun Class B Shares; and (b) a shareholder loan to Topsun of RMB27,500,000 which has not been settled as at the end of the reporting period (note 15(vii)).

20. SHARE CAPITAL

	2010 HK$'000	2009 HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.01 each	150,000	150,000
Issued and fully paid:		
6,979,385,753 (2009: 6,170,865,753) ordinary shares of HK$0.01 each	69,794	61,709

20. SHARE CAPITAL *(Continued)*

(a) Shares

Details of the movements in the Company's share capital during the years ended 31 December 2009 and 2010 are as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
Ordinary shares of HK$0.01 each						
At 1 January 2009	5,168,735,753	51,687	239,922	25,259	3,456	320,324
Exercise of share options *(note (i))*	2,130,000	22	123	(38)	–	107
Issue of shares upon acquisition of available-for-sale investments *(note (ii))*	800,000,000	8,000	32,000	–	–	40,000
Conversion of convertible bonds *(note (iii))*	200,000,000	2,000	9,142	–	(3,456)	7,686
At 31 December 2009 and 1 January 2010	6,170,865,753	61,709	281,187	25,221	–	368,117
Exercise of share options *(note (iv))*	8,520,000	85	495	(154)	–	426
Issue of shares upon acquisition of available-for-sale investments *(note (v))*	400,000,000	4,000	16,000	–	–	20,000
Issue of shares for acquisition of a shareholder loan in an investee company *(note (vi))*	400,000,000	4,000	16,000	–	–	20,000
Change in fair value of share options arising from extension of exercise period *(note (vi))*	–	–	–	3,751	–	3,751
At 31 December 2010	6,979,385,753	69,794	313,682	28,818	–	412,294

20. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

(i) During the year ended 31 December 2009, part of the share options granted were exercised for 2,130,000 shares of HK$0.01 each of the Company at an exercise price of HK$0.05 per share with gross proceeds of approximately HK$107,000.

(ii) On 8 May 2009, the Company entered into an acquisition agreement with Guard Max Limited ("Guard Max"), pursuant to which, among other things, the Company conditionally agreed to purchase from Guard Max 600 shares in the issued share capital of Dooda Innovation Limited (formerly known as Join Oriental Holdings Limited), with voting rights withdrawn for an aggregate consideration of HK$40 million. The consideration was satisfied by the issue of consideration shares of HK$0.01 each of the Company at an issue price of HK$0.05 per share. Accordingly, 800,000,000 shares of HK$0.01 each of the Company were allotted and issued as fully paid on 12 November 2009.

(iii) On 19 November 2007, the Company entered into a subscription agreement with Harvest Rise Investment Limited ("Harvest Rise"), a company wholly and beneficially owned by Mr. Xiang Xin, an executive director and a substantial shareholder of the Company, for the subscription by Harvest Rise of zero coupon convertible bonds of the Company in an aggregate principal amount of HK$50,000,000 (the "CB") which was convertible into the shares of the Company at a conversion price of HK$0.05 each. In consideration of Harvest Rise agreeing to subscribe for or procure the subscription of the CB, the Company further issued 800,000,000 unlisted warrants (the "Warrants") to Harvest Rise entitling its subscription of 800,000,000 shares of HK0.01 each of the Company at an exercise price of HK$0.20 per warrant share. The CB and the Warrants were issued on 30 January 2008.

On 13 May 2008, part of the CB amounting to HK$40,000,000 was converted into 800,000,000 ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.05 per share. On 22 December 2009, the remaining CB amounting to HK$10,000,000 was converted into 200,000,000 ordinary shares of HK$0.01 each of the Company at the conversion price of HK$0.05 per share.

No Warrants have been exercised during the year (2009: Nil) and remained outstanding as at 31 December 2010.

20. SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

(iv) During the year, part of the share options granted were exercised for 8,520,000 shares of HK$0.01 each of the Company at an exercise price of HK$0.05 per share with gross proceeds of approximately HK$426,000.

(v) On 29 March 2010, the Company entered into an agreement with China Seed for the acquisition of 310 Topsun Class B Shares at a consideration of HK$20,000,000. The consideration was satisfied by the issue of consideration shares of HK$0.01 each of the Company at an issue price of HK$0.05 per share. Accordingly, 400,000,000 shares of HK$0.01 each of the Company were allotted and issued as fully paid on 30 March 2010.

(vi) On 12 October 2010, the Company further acquired from China Seed (a) 1,100 Topsun Class B Shares at a consideration of RMB958 (equivalent to approximately HK$1,100); and (b) a shareholder loan to Topsun in the amount of RMB27,500,000 (equivalent to approximately HK$31,461,000) (the "Topsun Loan"). Part of the consideration of the Topsun Loan of HK$20 million was satisfied by the issue of 400,000,000 shares of HK$0.01 each of the Company at an issue price of HK$0.05 each. Accordingly, 400,000,000 shares of HK$0.01 each of the Company were allotted, issued and fully paid on 14 October 2010.

(vii) On 15 October 2010, subject to the approval by the shareholders in the forthcoming annual general meeting, the Board of the Company approved the extension of the exercise period maturing on 17 October 2013 in respect of the outstanding share options granted on 18 October 2007 pursuant to the share option scheme of the Company. As at 15 October 2010, the fair values change of the aforesaid outstanding share options amounted to HK$3,751,000.

(b) Warrants

The Company had 800,000,000 warrants granted on 27 December 2007 which remained outstanding as at 31 December 2010 entitling the holder of the warrants to subscribe for 800,000,000 shares of HK$0.01 each of the Company at an exercise price of HK$0.20 each on or before 29 January 2013. No Warrants has been exercised during the year ended 31 December 2010 (2009: nil).

21. SHARE OPTIONS

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme'), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

21. SHARE OPTIONS *(Continued)*

Details of the options granted under the Scheme and outstanding at 31 December 2010 are as follows:

Date of grant	Exercise period	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010	Exercise price per share option
							HK$
29.1.2003	28.8.2003 to 27.8.2013	119,243,183	–	–	–	119,243,183	0.0244
18.10.2007	18.10.2007 to 17.10.2013*	168,074,000	–	(8,520,000)	–*	159,554,000	0.0500
14.1.2008	1.2.2008 to 31.1.2011	145,000,000	–	–	–	145,000,000	0.2000
		432,317,183	–	(8,520,000)	–	423,797,183	

* *The original exercise period of these share options were lapsed on 15 October 2010. By a board of directors' resolution dated 15 October 2010, which is subject to the approval of the shareholder of the Company at the forthcoming general meeting to be convened, the exercise period of the outstanding options is extended to 17 October 2013.*

The change in fair value of the share options arising from extension of exercise period were measured using the Binomial Option Pricing Model which was performed by an independent valuer. The inputs into the model used are summarised as follows:

Date of modification	15 October 2010
Exercise price	HK$0.05
Risk-free rate	0.66%
Nature of the options	Call
Expected life of the options	3.01 years
Expected volatility	78.83%
Expected dividend yield	Nil

The Company recognised total expenses of approximately HK$3,751,000 for the year ended 31 December 2010 in relation to the change in fair value of the share options arising from extension of exercise period.

22. NET ASSET VALUE PER SHARE

As at 31 December 2010 and 2009, the net asset value per share of the Company was HK$0.06 and HK$0.06, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2010 of HK$392,806,000 (2009: HK$347,905,000) and 6,979,385,753 (2009: 6,170,865,753) ordinary shares in issue at the end of each reporting period.

23. OPERATING LEASE ARRANGEMENTS

The Company leases certain of its office properties under operating lease arrangements. Lease for property is negotiated for terms of three years.

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

	2010 HK$'000	2009 HK$'000
Within one year	480	960
In the second to fifth years, inclusive	–	480
	480	1,440

24. COMMITMENTS

Apart from the operating lease commitments detailed in note 23 the above, the Company had the following capital commitments at the end of the reporting period.

	2010 HK$'000	2009 HK$'000
Capital commitments for acquisition of property, plant and equipment	–	2,729
Commitment on available-for-sale investments	18,193	–
Commitment on undrawn loan facility granted	3,500	7,000
	21,693	9,729

25. EVENT AFTER THE REPORTING PERIOD

On 17 March 2011, the Company entered into a provisional agreement with an independent third party for disposal of an investment property in Hong Kong, with a carrying amount of HK$53,000,000 as at 31 December 2010, at a consideration of HK$57,536,000.

26. NOTES TO THE STATEMENT OF CASH FLOWS

Major non-cash transactions

Issue of shares for acquisition of equity interests and a shareholder loan in Topsun

As detailed in notes 20(v) and 20(vi) to the financial statements, during the year, the Company issued a total of 800,000,000 new shares of HK$0.01 each at an issue price of HK$0.05 per share as part of the consideration for acquisition of 310 Topsun Class B Shares and a shareholder's loan in Topsun.

27. RELATED PARTY TRANSACTIONS

(i) Save as those disclosed elsewhere in the financial statement, the Company had the following material transactions with related parties during the year:

	2010 ***HK$'000***	2009 *HK$'000*
Investment management fee paid to China Everbright Securities (HK) Limited *(note a)*	**300**	300
Brokerage commission and handling fee paid to China Everbright Securities (HK) Limited *(note b)*	**29**	19
Rental expenses paid to New Era Group (China) Limited *(note c)*	**960**	960
Rental deposit paid to New Era Group (China) Limited *(noted c)*	**160**	160

The related party transactions were conducted on terms negotiated between the Company and the related companies, respectively.

27. RELATED PARTY TRANSACTIONS *(Continued)*

(i) *(Continued)*

Notes:

(a) The Company entered into an investment management agreement with China Everbright Securities (HK) Limited ("CES") for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served. In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. On 23 October 2007, a supplemental agreement was entered into between the Company and CES whereas the service fee was fixed at HK$300,000 per annum by a monthly payment of HK$25,000 and the annual bonus was maximised to HK$1,000,000 with effect from 1 January 2008. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES.

(b) Brokerage commission rate is charged at the rate ranged from 0.25% to 1% of the value of the transactions. Handling fee is charged at HK$100 per each IPO application.

(c) The Company entered into a tenancy agreement (the "Tenancy Agreement") with New Era Group (China) Limited ("NEG"), a company of which Mr. Xiang Xin is a director, for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK$160,000 and a monthly rental of HK$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position.

(ii) Compensation of key management personnel of the Company:

	2010 ***HK$'000***	2009 *HK$'000*
Short term employee benefits	**2,453**	650
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**2,453**	650

27. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) The investment managers was remunerated based on their respective investment management agreement as follows:

	2010 *HK$'000*	2009 *HK$'000*
China Everbright Securities (HK) Limited ("China Everbright")	300	300

Note:

The Company and China Everbright entered into an investment management agreement for appointing as investment manager of the Company. The investment management fee is fixed at HK$300,000 per annum.

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2010

Financial assets

	Financial assets at fair value through profit or loss					
	Designated as such upon initial recognition *HK$'000*	Held for trading *HK$'000*	Held-to-maturity investments *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	–	–	–	100,017	100,017
Loan receivables	–	–	–	158,795	–	158,795
Interest receivables	–	–	–	2,058	–	2,058
Financial assets included in prepayments, deposits and other receivables	–	–	–	216	–	216
Cash and bank balances	–	–	–	81,146	–	81,146
	–	–	–	242,215	100,017	342,232

28. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition	– held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	–	–	11,763	11,763

31 December 2009

Financial assets

	Financial assets at fair value through profit or loss					
	Designated as such upon initial recognition	– held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	–	–	–	–	114,067	114,067
Loan receivables	–	–	–	56,576	–	56,576
Deposit for acquisition of property, plant and equipment	–	–	–	303	–	303
Interest receivables	–	–	–	973	–	973
Financial assets included in prepayments, deposits and other receivables	–	–	–	2,750	–	2,750
Cash and bank balances	–	–	–	122,396	–	122,396
	–	–	–	182,998	114,067	297,065

28. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition	– held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	–	–	319	319

29. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value of financial instruments

The fair value of financial assets and liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask price respectively; and

– the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The directors consider that the carrying amounts of the Company's other financial asset and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

29. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Fair value hierarchy of financial instruments

The carrying amounts and fair values of the Company's financial instruments are as follow:

HKFRS 7 requires disclosure of financial instruments that are measured at fair value by level of the following fair value measurement hierarchy.

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

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

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

The following table presents the financial instruments that are measured at fair value as at each of the reporting period.

31 December 2010

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investments	**–**	**–**	**–**	**–**
Investment properties	**54,000**	**–**	**–**	**54,000**

31 December 2009

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	34,090	–	–	34,090
Investment properties	48,000	–	–	48,000

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise equity investment and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as interest receivables, loan receivables and other payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Company's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and fair value interest rate risk primarily to its fixed rate loan receivable. The Company currently does not have any interest rate hedging policy. The directors monitor the Company's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the interest rates on bank deposits with all other variables held constant, of the Company's profit before tax.

	Increase/ (decrease) in interest rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in in equity***
		HK$'000	*HK$'000*
31 December 2010			
Hong Kong dollars	**1%**	**811**	**–**
	(1%)	**(811)**	**–**
31 December 2009			
Hong Kong dollars	1%	1,224	–
	(1%)	(1,224)	–

* *Excluding retained profits/accumulated losses.*

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

During the year ended 31 December 2010, certain assets of the Company are denominated in Renminbi ("RMB") and the exchange rate of RMB was comparatively volatile.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate of RMB with all other variables held constant, of the Company's profit before tax.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax** *HK$'000*
31 December 2010		
If Hong Kong dollar weakens against RMB	**(5.0%)**	**3,632**
If Hong Kong dollar strengthens against RMB	**5.0%**	**(3,632)**

Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the unsettled transaction for securities trading, loan receivables and interest receivables of the Company, deposits with banks and securities companies.

In order to minimise the credit risk, the management of the Company reviews that recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The creditworthiness of these debtors is considered by reviewing their financial strength prior to finalisation of any contract and transaction. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. For credit risk on receivables is limited because the Company only carries on business with reputable securities companies.

The Company does not provide any guarantee which would expose the Company to credit risk.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. available-for-sale investments, loan receivables and interest receivables) and projected cash flows from operations.

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

31 December 2010

	On demand or no fixed terms of repayment *HK$*	Less than 3 months *HK$*	Held to 3 to less than 12 months *HK$*	1 to 5 years *HK$*	Total *HK$*
Other payables and accruals	11,460	303	–	–	11,763
Undrawn loan commitment	3,500	–	–	–	3,500
	14,960	303	–	–	15,263

31 December 2009

	On demand or no fixed terms of repayment *HK$*	Less than 3 months *HK$*	Held to 3 to less than 12 months *HK$*	1 to 5 years *HK$*	Total *HK$*
Other payables and accruals	–	319	–	–	319
Undrawn loan commitment	7,000	–	–	–	7,000
	7,000	319	–	–	7,319

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

The Company is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Company's equity price risk is mainly concentrated on equity securities quoted in the Stock Exchange of Hong Kong.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in equity price of listed available-for-sale investments with all other variables held constant, of the Company's profit before tax.

	Increase/ (decrease) in equity price	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in in equity***
		HK$'000	*HK$'000*
31 December 2010			
Equity price of listed available-for-sale investments	**10%**	**–**	**–**
	(10%)	**–**	**–**
31 December 2009			
Equity price of listed available-for-sale investments	10%	3,409	–
	(10%)	(3,409)	–

* *Excluding retained profits/accumulated losses.*

Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The Company monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes other payables and accruals, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	2010 *HK$'000*	2009 *HK$'000*
Other payables and accruals	**11,763**	319
Less: Cash and bank balances	**(81,146)**	(122,396)
Net cash	**(69,383)**	(122,077)
Total capital:		
Equity attributable to equity holders	**392,806**	347,905
Capital and net debt	**323,423**	225,828
Gearing ratio	**N/A**	N/A

31. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2010.