MASTERMIND CAPITAL LIMITED
慧德投資有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 905)

Annual Report 2010

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Mr. Mung Kin Keung *(Chairman)*
Mr. Tang Hao *(Chief Executive Officer)*
Mr. Ha Wing Ho, Peter
Mr. Chee Man Sang, Eric
Mr. Michael Stockford
Mr. Mung Bun Man, Alan

Independent Non-executive Directors:
Mr. Lo Tak Kin
Ms. Yu Tin Yan, Winnie
Mr. Patrick Lee

COMPANY SECRETARY

Mr. Ma Man Pong

INVESTMENT MANAGER

OP Calypso Capital Limited

PRINCIPAL BANKER

Shanghai Commercial Bank Ltd.

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

Hong Kong Law
Mason Ching & Associates

Cayman Islands Law
Maples and Calder Asia

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Ugland House
PO Box 309
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1401-03, 14th Floor
Tower 2, Admiralty Centre
18 Harcourt Road, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 905

COMPANY WEBSITE

www.mastermindcapitalhk.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Mastermind Capital Limited (the "Company"), I presented to you the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

In 2010, the Group appointed the new investment manager, OP Calypso Capital Limited, who has a strong team of professionals with extensive investment and analytical experience. Besides, new board members and the Chief Executive Officer have been appointed during the year. After completing a restructuring of the Group's management, the Group can put more focus in Greater China region and will participate and identify more investment opportunities in the PRC.

The completion of issuance of new shares of the Company in October 2010 strengthened the Group's financial position. The proceeds would be used for general working capital and future investments. We are actively looking for good investment opportunities on a prudent approach. We aim at making investment with stable returns and long term growth.

PROSPECTS

The world economies remains volatile and uncertain, the economy and the recovery pace of the United States, the Japan's earthquake, the Libyan war, the sovereign debt crisis in certain European countries, credit tightening in the PRC, and the possible increase in interest rate. It is expected that the volatility will continue.

The management will also continue to seek for more investment opportunities with sustainable income and potential of asset appreciation in different business sectors to enhance returns to the Group and the shareholders of the Company (the "Shareholders") at an acceptable risk level.

APPRECIATION

Finally, I would like to express my greatest gratitude to all fellow directors, the investment manager and staff for their contribution towards the Group. Furthermore, I would also like to take this opportunity to sincerely thank our business partners and Shareholders for their continuous support. I believe all members of the Group will dedicate their best effort to drive business growth and to deliver enhanced returns to the Shareholders.

Mung Kin Keung
Chairman

Hong Kong, 30 March 2011

Management Discussion and Analysis

INVESTMENT REVIEW

As at 31 December, 2010, the major investments of the Group were HK$14.75 million of a portfolio of listed equity securities and HK$11.23 million of direct investment in unlisted equity securities. The investment portfolio of the Group comprises equity securities in Hong Kong, Canada and China.

The listed equity securities held by the Group during the year were shares in Shougang Concord Technology Holdings Limited, APAC Resources Limited, Medifocus Inc. and National Arts Holdings Limited.

The Group had made a direct investment in unlisted equity securities in Ruyan Yao Autonomous Country hydro-electricity power plants (the "Power Plants") in the PRC. Dividend from the Power Plants during the year was approximately HK$1 million.

FINANCIAL REVIEW

During the year, the Group recorded a loss of approximately HK$6,313,000 (2009: approximately HK$5,116,000) after deducting administrative expenses of approximately HK$7,925,000 (2009: approximately HK$5,389,000).

FINANCIAL POSITION

As at 31 December, 2010, the Group had cash and cash equivalents approximately HK$44,528,000 (2009: approximately HK$13,516,000).

The Group had no borrowing as at 31 December, 2010 (2009: Nil).

As at 31 December, 2010, the Group had net current assets of approximately HK$57,728,000, as compared to approximately HK$13,482,000 as at 31 December, 2009.

As at 31 December, 2010, the current ratio of the Group was 61.32 compared to 27.43 at 31 December, 2009.

CHARGES ON ASSETS

As at 31 December, 2010, there were no charges on the Group's assets (2009: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the investments and the business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange exposure is minimal.

Management Discussion and Analysis

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December, 2010 (2009: Nil).

EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

There are four employees, six executive directors and three independent non-executive directors. Remuneration policies are reviewed by the remuneration committee in accordance with the market situation and the performance of individual directors from time to time.

The Group's total staff costs (including directors' emoluments) for the year under review amounted to approximately HK$3,252,000 (2009: approximately HK$2,357,000).

Biographical Details of Directors and the Investment Manager

EXECUTIVE DIRECTORS

Mr. Mung Kin Keung ("Mr. Mung"), aged 50, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Mung holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years' experience in areas of business management, strategic planning and development. Mr. Mung was appointed as an executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) on 27 November, 2008 and Shougang Concord Technology Holdings Limited ("SCT") (Stock Code: 521) on 16 February, 2009. He was re-designated as the vice-chairman of SCT on 10 May 2010.

Mr. Tang Hao ("Mr. Tang"), aged 47, has been appointed as an executive director and chief executive officer of the Company with effect from 12 November 2010. Mr. Tang graduated from the department of laws of East China University of Political Science (華東政法大學), majored in economic laws, in 1986 and obtained the legal qualification in the PRC in 1988. Mr. Tang has extensive experience in strategic planning. He has been working as a lawyer in Shanghai No. 1 Law Firm (上海第一律師事務所), the manager of investment department in Huachen Auto Group (華晨集團), the general manager of Shanghai Huachen Shiye Company (上海華晨實業公司), the supervisor of Jinbei Vehicle Manufacturing Co., Ltd (金杯汽車股份有限公司), the director of Shenzhen Kangda Co., Ltd (深圳康達爾股份有限公司) and the director of Shanghai Zhongxi Pharmaceutical Co., Ltd (上海中西藥業股份有限公司). Mr. Tang was appointed as a non-executive director of Jian ePayment Systems Limited (Stock Code: 8165) on 29 March 2011.

Mr. Ha Wing Ho, Peter ("Mr. Ha"), aged 48, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Ha obtained LLB from the University of Wales in 1984 and PCLL from The University of Hong Kong in 1985. He is a partner of Messrs. Kok and Ha, Solicitors which was founded in 1989. He is also a director of Hong Kong Express Airways Limited.

Mr. Chee Man Sang, Eric ("Mr. Chee"), aged 49, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007 and has been re-designated as an executive director of the Company with effect from 13 May 2010. Mr. Chee is a practising Certified Public Accountant in Hong Kong and a senior partner of Chan Chee Cheng & Co., a firm of certified public accountants. Mr. Chee holds a Bachelor Degree in Commerce (majoring in Accounting) from Birmingham University. He had worked in two international accounting firms in Canada and Hong Kong. Mr. Chee is an associate member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Chee was appointed as an independent non-executive director of Hop Fung Group Holdings Limited (Stock Code: 2320) on 4 September 2003. Mr. Chee was an independent non-executive director of Viva China Holdings Limited (formerly known as Coolpoint Energy Limited) (Stock Code: 8032) for the period from 18 February 2009 to 23 June 2010.

Biographical Details of Directors and the Investment Manager

Mr. Michael Stockford ("Mr. Stockford"), aged 51, has been appointed as an executive director the Company with effect from 13 May 2010. Mr. Stockford is the Head of Asset Management Operations of OP Financial Investments Limited ("OPFI"), a listed company in Hong Kong (Stock Code: 1140), the parent company of OP Calypso Capital Limited ("OP Calypso"). He graduated with a bachelor degree in accounting and finance in 1981. Mr. Stockford is a full member of Hong Kong Securities Institute, member of the Committee of Inspection for Peregrine Derivatives Limited and member of Global Association of Risk Professionals. Mr. Stockford was the co-founder of the OP Calypso.

Mr. Mung Bun Man, Alan (formerly known as Mung Chiu Yu, Alan) ("Mr. Alan Mung"), aged 24, has been appointed as an executive director the Company with effect from 12 November 2010. Mr. Alan Mung is a managing partner of First Beijing Investment Ltd. Mr. Alan Mung obtained a Bachelor of Art in Business Economics from University of California – Santa Barbara in 2007 and a Master of Finance from Peking University in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Tak Kin ("Mr. Lo"), aged 44, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Lo is a practising Certified Public Accountant in Hong Kong and an associate member of the HKICPA and also a fellow member of the Association of Chartered Certified Accountants ("ACCA"). Mr. Lo is currently a director of M Square CPA Limited, Certified Public Accountants and has extensive experience in auditing, tax planning and finance.

Ms. Yu Tin Yan, Winnie ("Ms. Yu"), aged 36, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Ms. Yu was admitted as a Solicitor of the High Court of Hong Kong in 1999. Ms. Yu is currently an Associate of Messrs. Tony Kan & Co. Ms. Yu is also currently a Full Member and Director of the Association of Hong Kong Professionals Limited.

Mr. Patrick Lee ("Mr. Lee"), aged 45, has been appointed as an independent non-executive director of the Company with effect from 13 May 2010. Mr. Lee is a practicing certified public accountant and he has over 20 years of experience in accounting and auditing. He started his career in auditing with PricewaterhouseCoopers since his graduation from the Polytechnic University in 1989. After about 3 years of service in auditing, he then joined a number of commercial organizations, taking up positions as finance manager, financial controller, and chief financial officer. Mr. Lee has a wide spectrum of commercial experiences in organizations like trading conglomerate, fast moving consumer products manufacturing and retail, gold and jewelry trading and retail, travel agency, media, and vehicle dealer. Mr. Lee also has plenty of experiences with listed companies listed in Hong Kong, US and Malaysia. Mr. Lee graduated from the Polytechnic University, major in accountancy. He is a fellow of the ACCA and an associate member of the HKICPA.

Biographical Details of Directors and the Investment Manager

INVESTMENT MANAGER

The Company entered into an investment agreement with OP Calypso Capital Limited ("OP Calypso") on 30 April 2010, whereby OP Calypso has agreed to provide asset management services for the Company for an initial term of one year from 13 May 2010. The investment management agreement between the Company and Hua Yu Investment Management Limited ("Hua Yu") was terminated on 12 May 2010.

OP Calypso, a company incorporated in Hong Kong with limited liability under the Companies Ordinance in 2003 and licensed since 18 February 2004 under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), is principally engaged in the business of provision of asset management services to clients and is a licensed corporation to carry out Type 9 (asset management) regulated activities under the SFO.

OP Calypso has a strong team of professionals with extensive investment and analytical experience. They provide asset management services for several funds in Asia with a focus on China. OP Calypso has access to investment opportunities and emphasizes the identification of sources of value creation at the investee level. OP Calypso selects its investment carefully with a fully explicit decision making process.

The investment management fee to OP Calypso is HK$500,000 per annum.

Directors' Report

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

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 14 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 24 to 71.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2009: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company are set out in Note 13 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Mung Kin Keung *(Chairman)*
Mr. Ha Wing Ho, Peter
Mr. Chee Man Sang, Eric (re-designated from independent non-executive director on 13 May 2010)
Mr. Michael Stockford (appointed on 13 May 2010)
Mr. Tang Hao *(Chief Executive Officer)* (appointed on 12 November 2010)
Mr. Mung Bun Man, Alan (appointed on 12 November 2010)
Mr. Benoit Descourtieux (appointed on 13 May 2010 and resigned on 12 November 2010)
Mr. Leong Chi Wai (resigned on 13 May 2010)
Mr. Leung King Yue, Alex (resigned on 13 May 2010)

Independent Non-Executive Directors:

Mr. Lo Tak Kin
Ms. Yu Tin Yan, Winnie
Mr. Patrick Lee (appointed on 13 May 2010)
Mr. Chee Man Sang, Eric (re-designated to executive director on 13 May 2010)

In accordance with Article 123 of the Company's Articles of Association, Mr. Tang Hao and Mr. Mung Bun Man, Alan shall hold office until the forthcoming annual general meeting of the Company (the "AGM") and shall then, being eligible, offer themselves for re-election at the forthcoming AGM.

In accordance with Article 157 of the Company's Articles of Association, Mr. Ha Wing Ho, Peter, Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

All other remaining directors shall continue in office.

After the expiry of service contract, the term of office of each of the independent non-executive directors is the period up to his/her retirement by rotation in accordance with the Company's Articles of Association.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

Brief biographical details of directors and investment manager are set out on pages 6 to 8.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT

During the year, (i) Hua Yu, of which Mr. Leong Chi Wai is a director and a substantial shareholder, received from the Group investment management fees of HK$258,000 for the period from 1 January 2010 to 12 May 2010 in connection with a management agreement signed between the Company and Hua Yu and (ii) OP Calypso, of which Mr. Michael Stockford and Mr. Benoit Descourtieux are directors, received from the Group investment management fees of HK$317,000 for the period from 13 May 2010 to 31 December 2010 in connection with a management agreement signed between the Company and OP Calypso.

Saved as disclosed above, no other contract of significance to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2010, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as follows:

Interests in Shares of the Company

		Number of shares held				% of total issued shares as at
Name of directors	**Capacity**	**Personal interests**	**Corporate interests**	**Other interests**	**Total interests**	**31 December 2010**
Mung Kin Keung	Interest in controlled corporation	–	1,080,000,000 *(Note 1)*	–	1,080,000,000	50.68%
Tang Hao	Beneficial owner	155,200,000	–	–	155,200,000	7.28%
Michael Stockford	Interest in controlled fund	–	–	123,200,000 *(Note 2)*	123,200,000	5.78%

Note 1: These shares were registered in the name of and were beneficially owned by China Tian Di Xing Logistics Holdings Limited (中國天地行物流控股集團有限公司) ("TDX"), a company in which Mr. Mung Kin Keung ("Mr. Mung"), an executive director and the chairman of the Company, holds 99.99% equity interests. Therefore, Mr. Mung is deemed to have an interest in the shares in which TDX is interested.

Note 2: Mr. Michael Stockford, an executive Director, is a director of Greater China Special Value Fund (the "Fund") and a director of the investment manager of the Fund.

Save as disclosed above, at no time during the year ended 31 December 2010 was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

SHARE OPTION SCHEME

By passing of an ordinary resolution at the extraordinary general meeting on 12 January 2009, the Board adopted a new share option scheme (the "New Scheme") and simultaneously terminated the share option scheme adopted on 23 May 2002 (the "Old Scheme"). An ordinary resolution was passed by the shareholders at the annual general meeting of the Company held on 30 June 2010 to amend the New Scheme.

The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee with weekly working hours of 15 hours or above of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

The directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

Directors' Report

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1 % of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 % limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12 January 2009.

No options have been granted under the Old and New Schemes.

CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

1. Investment management agreement

i. Hua Yu

The Company has appointed Hua Yu as its investment manager until 12 May 2010. During the period, Hua Yu was regarded as a connected person of the Company under the Listing Rules. Accordingly, the investment management agreement was constituted a continuing connected transaction of the Company.

Investment management fees to Hua Yu was calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 for every three months. The aggregate investment management fee paid to Hua Yu for the period from 1 January 2010 to 12 May 2010 amounted to approximately HK$258,000.

ii. OP Calypso

The Company has appointed OP Calypso as its investment manager with effect from 13 May 2010. During the period, OP Calypso is regarded as a connected person of the Company under the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

The investment management fee to OP Calypso is HK$500,000 per annum.

The aggregate investment management fee paid/payable to OP Calypso for the period from 13 May 2010 to 31 December 2010 amounted to approximately HK$317,000.

Directors' Report

2. **Custodian agreement**

    The Company has appointed Bank of Communications Trustee Limited (the "Custodian") as its custodian. The custodian agreement has no fixed term and shall continue in force until terminated by either party giving to the other not less than 30 days' notice in writing. During the year, the Company has paid HK$19,200 to the Custodian.

    The Custodian is regarded as a connected person of the Company under the Listing Rules. Accordingly, the custodian constitutes a continuing connected transaction of the Company.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the directors at the date of this report, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 December 2010.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2010, the committee members comprised Mr. Patrick Lee, (chairman of Audit Committee), Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of annual results for the year ended 31 December 2010.

AUDITORS

BDO Limited was appointed as auditor of the Group on 26 November 2010 to fill the casual vacancy occassioned by the resignation of Grant Thornton ("GTHK"). The reason for the change of auditor is due to a merger of the practices of GTHK with BDO Limited, the member firm of the global BDO network. BDO Limited will hold office until the conclusion of the annual general meeting of the Company.

By order of the Board

Ma Man Pong
Secretary

Hong Kong, 30 March 2011

Corporate Governance Report

The Group is dedicated to maintain a credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code except for certain deviations which are mentioned below.

THE BOARD

Composition

The Board consists of six executive directors and three independent non-executive directors ("INED(s)"). Two of the INEDs have the appropriate professional accounting experience and expertise. One INED has the appropriate professional legal experience and expertise. The names and biographical details of each director are disclosed on pages 6 to 8 of this Annual Report.

The code provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Tang Hao was appointed as an executive director and the Chief Executive Officer of the Company on 12 November 2010. The deviation from the code provision A.2.1 of the Code was up to 11 November 2010.

The code provision A.4.1 of the Code states that non-executive directors should be appointed for a specific term to election.

After the expiry of the service contract, the appointment of independent non-executive directors shall continue with no specific term. They are, however, subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

Each INED has, pursuant to the guidelines set out in Rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each AGM pursuant to the Articles of Association of the Company.

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

Corporate Governance Report

The Board held 4 regular Board meetings during the year 2010. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meetings in 2010

Number of meetings	**4**
Executive Directors:	
Mr. Mung Kin Keung *(Chairman)*	3/4
Mr. Ha Wing Ho, Peter	4/4
Mr. Chee Man Sang, Eric (re-designated from independent non-executive director on 13 May 2010)	2/2
Mr. Michael Stockford (appointed on 13 May 2010)	1/2
Mr. Tang Hao *(Chief Executive Officer)* (appointed on 12 November 2010)	0/1
Mr. Mung Bun Man, Alan (appointed on 12 November 2010)	1/1
Mr. Benoit Descourtieux (appointed on 13 May 2010 and resigned on 12 November 2010)	1/1
Mr. Leong Chi Wai (resigned on 13 May 2010)	1/2
Mr. Leung King Yue, Alex (resigned on 13 May 2010)	1/2
Independent Non-Executive Directors:	
Mr. Lo Tak Kin	4/4
Ms. Yu Tin Yan, Winnie	3/4
Mr. Patrick Lee (appointed on 13 May 2010)	2/2
Mr. Chee Man Sang (re-designated to executive director on 13 May 2010)	2/2

The Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee formed under the Board, with each performing different functions.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

– to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.

– to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.

– to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.

– to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the summary of work done in year 2010:

– to review the financial statements for the year ended 31 December 2009 and for the six months ended 30 June 2010; and

– to review the effectiveness of the internal controls system.

The Audit Committee held three meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2010

Number of meetings	**3**
INEDs	
Mr. Patrick Lee *(Chairman of Audit Committee)*	2/2
Mr. Lo Tak Kin	3/3
Ms. Yu Tin Yan, Winnie	3/3
Mr. Chee Man Sang, Eric (re-designated to executive director on 13 May 2010)	1/1

Corporate Governance Report

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Remuneration Committee include formulation of the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and consideration of the remuneration of the directors senior management of the Group.

The Remuneration Committee held one meeting during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meeting in 2010

Number of meetings	**1**
Executive Director	
Mr. Mung Kin Keung *(Chairman of Remuneration Committee)*	1/1
INEDs	
Mr. Lo Tak Kin	1/1
Ms. Yu Tin Yan, Winnie	1/1
Mr. Patrick Lee	1/1
Mr. Chee Man Sang, Eric (re-designated to executive director on 13 May 2010)	0/0

NOMINATION COMMITTEE

The Board has established a Nomination Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

Attendance of individual members at Nomination Committee Meeting in 2010

Number of meetings	**1**
Executive Director	
Mr. Mung Kin Keung *(Chairman of Nomination Committee)*	1/1
INEDs	
Mr. Lo Tak Kin	1/1
Ms. Yu Tin Yan, Winnie	1/1
Mr. Patrick Lee	1/1
Mr. Chee Man Sang, Eric (re-designated to executive director on 13 May 2010)	0/0

Corporate Governance Report

REMUNERATION POLICY

The remuneration policy of the Company is to ensure that all employees, including all directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No director, or any of his associates, and executive is involved in deciding his own remuneration.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2010.

AUDITORS' REMUNERATION

During the year, the fees paid/payable to the Company's auditors amounted to HK$240,000 in respect of audit services.

INTERNAL CONTROL

The Board is responsible for ensuring a sound and effective system of internal control which is designed for (i) safeguarding the interests of the shareholders; (ii) safeguarding assets of the Company and its subsidiaries against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations. Such system of internal control is aimed at limiting the risks faced by the Company to an acceptable level but not at eliminating all the risks. Hence, such system can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and there will not be any financial loss or fraud.

The key procedures established by the Board to provide effective internal control include (i) a defined management structure with clear lines of responsibility; (ii) an appropriate organizational structure which adequately provides the necessary information flow for management decisions; (iii) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (iv) assurance through the Audit Committee that appropriate internal control policies are in place and functioning effectively.

Through the Audit Committee, the Board continues to review the effectiveness of the internal control system which includes financial, operational, compliance and risk management controls. The review process consists of (i) operational management's assurance of the maintenance of control; and (ii) control issues identified by external auditors during statutory audit. The Audit Committee, supported by reviews the adequacy of resources, qualifications and experiences of staff responsible for the accounting and financial reporting functions.

For the year under review, the Board had conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries, including financial, operational and compliance controls and risk management functions.

The Board 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 the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

Corporate Governance Report

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide the shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include AGM, annual report, various notices, announcements and circulars. The Company has also maintained a corporate website which enables shareholders, investors and the public to receive timely and updated information on the Company.

The code provision E.1.2 states that the Chairman of the Board should attend the annual general meeting of the Company.

Due to the other business commitment, Mr. Mung Kin Keung, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 30 June 2010. However, arrangements including the attendance of members of the Board had been in place to ensure the annual general meeting was in order.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 22 to 23.

Independent Auditor's Report

Tel : +852 2541 5041
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the shareholders of Mastermind Capital Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mastermind Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 24 to 71, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (Continued)

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

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

OPINION

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

BDO Limited
Certified Public Accountants
Li Wing Yin
Practising Certificate no. P05035

Hong Kong, 30 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	6	**1,046**	11
Other revenue and net income	6	**1,400**	341
Administrative expenses and other operating expense		**(8,759)**	(5,389)
Loss before income tax	7	**(6,313)**	(5,037)
Income tax expense	10	**–**	(79)
Loss for the year, attributable to the owners of the Company	11	**(6,313)**	(5,116)
Other comprehensive income			
(Loss)/gain on change in fair value of available-for-sale financial assets		**(671)**	385
Reclassification relating to impairment loss on available-for-sale financial assets		**834**	–
Exchange difference on translation of financial statements of foreign subsidiaries		**44**	(3)
Other comprehensive income for the year		**207**	382
Total comprehensive income for the year, attributable to the owners of the Company		**(6,106)**	(4,734)
Loss per share for loss attributable to the owners of the Company during the year	12		
Basic (HK cents)		**(0.34)**	(0.35)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**1,096**	1,375
Available-for-sale financial assets	15	**13,583**	14,254
Deposits paid	16	**30,000**	–
		44,679	15,629
Current assets			
Prepayments		**325**	198
Other receivables		**1,432**	278
Financial assets at fair value through profit or loss	17	**12,400**	–
Cash and cash equivalents	18	**44,528**	13,516
		58,685	13,992
Current liabilities			
Accruals and other payables	19	**(759)**	(431)
Amount due to a related company	20	**(125)**	–
Provision for tax		**(73)**	(79)
		(957)	(510)
Net current assets		**57,728**	13,482
Total assets less current liabilities/Net assets		**102,407**	29,111
EQUITY			
Equity attributable to the owners of the Company			
Share capital	21	**53,280**	37,200
Reserves	24(a)	**49,127**	(8,089)
Total equity		**102,407**	29,111
Net asset value per share (HK$)	22	**0.05**	0.02

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**687**	871
Interests in subsidiaries	14	**12,010**	12,010
Deposits paid	16	**30,000**	–
		42,697	12,881
Current assets			
Prepayments		**325**	198
Amounts due from subsidiaries	14	**15,622**	3,146
Cash and cash equivalents	18	**44,085**	12,728
		60,032	16,072
Current liabilities			
Accruals and other payables	19	**(659)**	(411)
Amount due to a related company	20	**(125)**	–
		(784)	(411)
Net current assets		**59,248**	15,661
Total assets less current liabilities/Net assets		**101,945**	28,542
EQUITY			
Share capital	21	**53,280**	37,200
Reserves	24(b)	**48,665**	(8,658)
Total equity		**101,945**	28,542

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before income tax		**(6,313)**	(5,037)
Adjustments for:			
Depreciation	7	**303**	125
Fair value gain on financial assets at fair value through profit or loss	6	**(1,400)**	–
Impairment loss on available-for-sale financial assets	7	**834**	–
Loss on disposal of a subsidiary	7	**–**	2
Dividend income received from available-for-sale financial assets	6	**(1,017)**	–
Interest income on financial assets carried at amortised costs	6	**(29)**	(11)
Operating loss before working capital changes		**(7,622)**	(4,921)
(Increase)/decrease in prepayments		**(127)**	5,710
Increase in other receivables		**(1,154)**	(278)
Increase in amount due to a related company		**125**	–
Increase/(decrease) in accruals and other payables		**328**	(146)
Purchase of financial assets at fair value through profit or loss		**(11,000)**	–
Cash (used in)/generated from operation		**(19,450)**	365
Income tax paid		**(6)**	–
Net cash (used in)/generated from operating activities		**(19,456)**	365
Cash flows from investing activities			
Purchase of property, plant and equipment		**(24)**	(1,500)
Investment deposits paid		**(30,000)**	–
Purchase of available-for-sale financial assets		**–**	(7,887)
Net cash outflow of the disposal of a subsidiary	26	**–**	(2)
Net cash outflow on assets acquisition	27	**–**	(11,371)
Dividend received		**1,017**	–
Interest received		**29**	11
Net cash used in investing activities		**(28,978)**	(20,749)
Cash flows from financing activities			
Proceeds from shares issued		**80,400**	6,000
Shares issue expenses		**(998)**	(60)
Net cash generated from financing activities		**79,402**	5,940
Net increase/(decrease) in cash and cash equivalents		**30,968**	(14,444)
Cash and cash equivalents at 1 January		**13,516**	27,963
Effect of foreign exchange rate changes		**44**	(3)
Cash and cash equivalents at 31 December		**44,528**	13,516

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to the owners of the Company					
	Share capital	Share premium*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Accumulated losses*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2010	37,200	115,241	(3)	385	(123,712)	29,111
Transactions with owners						
Issue of share capital	16,080	64,320	–	–	–	80,400
Shares issue expenses	–	(998)	–	–	–	(998)
	16,080	63,322	–	–	–	79,402
Loss for the year	–	–	–	–	(6,313)	(6,313)
Other comprehensive income						
Loss on change in fair value of available-for-sale financial assets	–	–	–	(671)	–	(671)
Reclassification relating to impairment loss on available-for-sale financial assets	–	–	–	834	–	834
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	44	–	–	44
Total comprehensive income for the year	–	–	44	163	(6,313)	(6,106)
Balance at 31 December 2010	53,280	178,563	41	548	(130,025)	102,407

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to the owners of the Company					
	Share capital	Share premium*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Accumulated losses*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	36,000	110,501	–	–	(118,596)	27,905
Transactions with owners						
Issue of share capital	1,200	4,800	–	–	–	6,000
Shares issue expenses	–	(60)	–	–	–	(60)
	1,200	4,740	–	–	–	5,940
Loss for the year	–	–	–	–	(5,116)	(5,116)
Other comprehensive income						
Gain on change in fair value of available-for-sale financial assets	–	–	–	385	–	385
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	(3)	–	–	(3)
Total comprehensive income for the year	–	–	(3)	385	(5,116)	(4,734)
Balance at 31 December 2009	37,200	115,241	(3)	385	(123,712)	29,111

* These reserve accounts comprise the consolidated reserves of approximately HK$49,127,000 in the consolidated statement of financial position as at 31 December 2010 (31 December 2009: approximately HK$8,089,000 in deficit).

Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

Mastermind Capital Limited (the "Company") is domiciled in Hong Kong and was incorporated in Cayman Islands on 21 April 1998, as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is Ugland House, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The directors of the Company consider China Tian Di Xing Logistics Holdings Limited (中國天地行物流控股集團有限公司), a company incorporated in Hong Kong, to be the ultimate holding company.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 14 to the financial statements. The Company and its subsidiaries (collectively referred to as the "Group") principally invest in listed and unlisted companies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 24 to 71 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The financial statements have been prepared on the historical cost basis except for financial assets classified as available-for-sale financial assets and financial assets at fair value through profit or loss, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year (if any) are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2.3 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Financial Statements
For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

Acquisition of subsidiaries

Where the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognised.

2.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) unless otherwise stated.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at 20% per annum.

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.6 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

Financial assets are classified into the categories of loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

(i) *Loans and receivables*

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

(ii) *Available-for-sale financial assets*

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

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

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

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

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

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

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

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 2.14 to these financial statements.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

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

– Significant financial difficulty of the debtor;

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

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

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

Notes to the Financial Statements
For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) *Financial assets carried at amortised cost*

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

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

(ii) *Available-for-sale financial assets*

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

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

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

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

2.7 Impairment of non-financial assets

Property, plant and equipment and the Company's interests in subsidiaries are subject to impairment testing and are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

Impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Accounting for income tax (Continued)

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

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

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

(i) the same taxable entity; or

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

2.10 Share capital

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

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

2.11 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Provisions and contingent liabilities

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

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

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

2.13 Financial liabilities

The Group's financial liabilities include accruals and other payables and amount due to a related company.

Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instrument.

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

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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Accruals and other payables and amount due to a related company

Accruals and other payables and amount due to a related company are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Dividend income is recognised when the right to receive the dividend is established.

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

2.15 Lease

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

Operating lease charges as the lessee

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

2.16 Related parties

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. All of the Group's turnover and contribution to operating results are attributable to its investment activities.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs.

3. ADOPTION OF NEW OR AMENDED HKFRSs

3.1 Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1&2]
HKFRS 9	Financial Instruments [3]

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

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

3.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in Note 2.5. The carrying amount of the property, plant and equipment is disclosed in Note 13.

Impairment of interests in subsidiaries

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

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2010 was approximately HK$12,010,000 (2009: HK$12,010,000).

Notes to the Financial Statements
For the year ended 31 December 2010

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Group will hold on to this investment.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is investment in listed and unlisted companies. The executive directors regard it as a single business segment and no segment information is presented.

At the reporting date, non-current assets included property, plant and equipment of approximately HK$1,096,000 (2009: HK$1,375,000) and deposits paid of approximately HK$30,000,000 (2009: Nil) are located in Hong Kong (domicile) and People's Republic of China (the "PRC") respectively. The place of domicile is determined based on the location of central management.

The Group's dividend income and interest income are derived from the PRC and Hong Kong (domicile) respectively.

6. REVENUE AND OTHER REVENUE AND NET INCOME

The Group's principal activities are disclosed in Note 1 to these financial statements. Turnover of the Group is the revenue from these activities.

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Dividend income	**1,017**	–
Interest income	**29**	11
	1,046	11
Other revenue and net income		
Other revenue – sundry income	**–**	341
Net income – fair value gain on financial assets at fair value through profit or loss	**1,400**	–
	1,400	341

Notes to the Financial Statements

For the year ended 31 December 2010

7. LOSS BEFORE INCOME TAX

	2010 HK$'000	2009 HK$'000
Loss before income tax is arrived at after charging:		
Auditor's remuneration	250	240
Depreciation on owned assets	303	125
Impairment loss on available-for-sale financial assets	834	–
Investment management fees *(Note 25(i)(b)(c))*	575	600
Operating lease charges on an office premise *(Note 25(i)(a))*	274	114
Loss on disposal of a subsidiary *(Note 26)*	–	2

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2010 HK$'000	2009 HK$'000
Salaries	3,171	2,293
Pension costs – defined contribution plans	81	64
	3,252	2,357

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2010				
Executive directors				
Mr. Mung Kin Keung	960	–	12	972
Mr. Ha Wing Ho, Peter	360	–	12	372
Mr. Leong Chi Wai *(Note 1)*	44	–	2	46
Mr. Leung King Yue, Alex *(Note 1)*	35	–	2	37
Mr. Chee Man Sang, Eric *(Note 2)*	114	–	6	120
Mr. Mung Bun Man, Alan *(Note 3)*	74	–	2	76
Mr. Michael Stockford *(Note 4)*	–	–	–	–
Mr. Benoit Descourtieux *(Note 5)*	–	–	–	–
Mr. Tang Hao *(Note 6)*	–	–	–	–
Independent non-executive directors				
Mr. Lo Tak Kin	60	–	–	60
Mr. Patrick Lee *(Note 7)*	38	–	–	38
Ms. Yu Tin Yan, Winnie	60	–	–	60
Mr. Chee Man Sang, Eric *(Note 2)*	22	–	–	22
	1,767	–	36	1,803

Notes to the Financial Statements

For the year ended 31 December 2010

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

(a) Directors' emoluments (Continued)

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
2009				
Executive directors				
Mr. Mung Kin Keung *(Note 8)*	820	–	11	831
Mr. Ha Wing Ho, Peter *(Note 9)*	320	–	11	331
Mr. Leong Chi Wai	120	–	6	126
Mr. Leung King Yue, Alex	96	–	5	101
Independent non-executive directors				
Mr. Chee Man Sang, Eric	60	–	–	60
Mr. Lo Tak Kin	60	–	–	60
Ms. Yu Tin Yan, Winnie	60	–	–	60
	1,536	–	33	1,569

Notes:

1. Mr. Leong Chi Wai and Mr. Leung King Yue, Alex were resigned on 13 May 2010.
2. Mr. Chee Man Sang, Eric was re-designated from an independent non-executive director to an executive director on 13 May 2010. The director fee was revised from HK$5,000 per month to HK$15,000 per month upon re-designation.
3. Mr. Mung Bun Man, Alan was appointed as an executive director on 12 November 2010. The director fee was HK$30,000 per month.
4. Mr. Michael Stockford was appointed as an executive director on 13 May 2010.
5. Mr. Benoit Descourtieux was appointed as an executive director on 13 May 2010 and resigned on 12 November 2010.
6. Mr. Tang Hao was appointed as an executive director on 12 November 2010.
7. Mr. Patrick Lee was appointed as an independent non-executive director on 13 May 2010. The director fee was HK$5,000 per month.
8. The director fee for Mr. Mung Kin Keung was revised from HK$10,000 per month to HK$80,000 per month with effect from 1 March 2009.
9. The director fee for Mr. Ha Wing Ho, Peter was revised from HK$10,000 per month to HK$30,000 per month with effect from 1 March 2009.

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

No emoluments were paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

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

(b) Five highest paid individuals

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

	2010	2009
	HK$'000	*HK$'000*
Salaries	**820**	681
Pension costs – defined contribution plans	**31**	27
	851	708

The emoluments of the five highest paid individuals, including the directors, fell within the following band:

	Number of individuals/directors	
	2010	2009
Emolument band		
Nil – HK$1,000,000	**5**	5

10. INCOME TAX EXPENSE

Taxation on profits arising in Hong Kong has been calculated on the assessable profits for the year at the rate of 16.5% (2009: Nil). The Group has no profits subject to the PRC corporate income tax during the year (2009: 25%).

	2010	2009
	HK$'000	*HK$'000*
Hong Kong		
– Current tax	**73**	–
– Under-provision in respect of prior year	**6**	–
	79	–
The PRC		
– Current tax	**–**	79
– Over-provision in respect of prior year	**(79)**	–
Income tax expense	**–**	79

Notes to the Financial Statements

For the year ended 31 December 2010

10. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2010	2009
	HK$'000	*HK$'000*
Loss before income tax	**(6,313)**	(5,037)
Tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	**(1,014)**	(810)
Tax effect of non-deductible expense	**754**	42
Tax effect of non-taxable revenue	**(47)**	(2)
Tax effect of temporary difference not recognised	**(628)**	(154)
Tax losses not recognised as deferred tax asset	**1,008**	1,003
Over provision in respect of prior year	**(73)**	–
Income tax expense	**–**	79

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the countries in which the Group operates. No deferred tax liability has been provided as the Group did not have material temporary differences which gave rise to a deferred tax liability as at 31 December 2010 (2009: Nil).

The Group has tax loss arising in Hong Kong of approximately HK$57,689,000 (2009: HK$51,579,000), subject to the agreement of the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in the Company with unpredictability of future profit streams.

11. LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to the owners of the Company of HK$6,313,000 (2009: HK$5,116,000), a loss of HK$5,999,000 (2009: HK$5,236,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of HK$6,313,000 (2009: HK$5,116,000) and the weighted average number of 1,830,000,000 (2009: 1,472,000,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2009 and 2010 is not presented as there is no dilutive potential ordinary share in existence during the years.

Notes to the Financial Statements
For the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT – THE GROUP AND THE COMPANY

	The Group		
	Motor vehicle *HK$'000*	**Office equipment** *HK$'000*	**Total** *HK$'000*
At 1 January 2009			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2009			
Opening net book amount	–	–	–
Additions	1,500	–	1,500
Depreciation	(125)	–	(125)
Closing net book amount	1,375	–	1,375
At 31 December 2009 and at 1 January 2010			
Cost	1,500	–	1,500
Accumulated depreciation	(125)	–	(125)
Net book amount	1,375	–	1,375
Year ended 31 December 2010			
Opening net book amount	**1,375**	**–**	**1,375**
Additions	**–**	**24**	**24**
Depreciation	**(300)**	**(3)**	**(303)**
Closing net book amount	**1,075**	**21**	**1,096**
At 31 December 2010			
Cost	**1,500**	**24**	**1,524**
Accumulated depreciation	**(425)**	**(3)**	**(428)**
Net book amount	**1,075**	**21**	**1,096**

Notes to the Financial Statements

For the year ended 31 December 2010

13. PROPERTY, PLANT AND EQUIPMENT – THE GROUP AND THE COMPANY (Continued)

	The Company		
	Motor vehicle	**Office equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2009			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2009			
Opening net book amount	–	–	–
Additions	950	–	950
Depreciation	(79)	–	(79)
Closing net book amount	871	–	871
At 31 December 2009 and at 1 January 2010			
Cost	950	–	950
Accumulated depreciation	(79)	–	(79)
Net book amount	871	–	871
Year ended 31 December 2010			
Opening net book amount	**871**	**–**	**871**
Additions	**–**	**8**	**8**
Depreciation	**(190)**	**(2)**	**(192)**
Closing net book amount	**681**	**6**	**687**
At 31 December 2010			
Cost	**950**	**8**	**958**
Accumulated depreciation	**(269)**	**(2)**	**(271)**
Net book amount	**681**	**6**	**687**

Notes to the Financial Statements

For the year ended 31 December 2010

14. INTERESTS IN SUBSIDIARIES – THE COMPANY

	2010 HK$'000	2009 HK$'000
Unlisted shares, at costs	12,010	12,010
Amounts due from subsidiaries	15,622	3,146
Less: provision for impairment loss	–	–
	15,622	3,146

The directors of the Company had assessed for impairment in value of interests in subsidiaries. In the opinion of the directors, no allowance for impairment in value of interests in subsidiaries is required.

The amounts due from subsidiaries are in the nature of current accounts and are unsecured, interest free and repayable on demand.

Particulars of the Company's subsidiaries at 31 December 2010 are as follows:

Name of company	Place/Country of incorporation/ establishment	Type of legal entity	Particular of issued/ paid up capital	Percentage of issued/ paid up capital held by the Company Directly	Indirectly	Principal activities and place of operations
Mega Way International Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK$1 each	100%	–	Investment holding in Hong Kong
Excellent Base Development Limited ("Excellent Base")	Hong Kong	Limited liability company	1 ordinary share of HK$1	100%	–	Investment holding in Hong Kong
Ocean Power Limited ("Ocean Power")	Hong Kong	Limited liability company	1 ordinary share of HK$1	100%	–	Investment holding in Hong Kong
Speedy Zone Limited	British Virgin Islands ("BVI")	Limited liability company	1 ordinary share of US$1	100%	–	Inactive
Yiu Wah Trading Co.	Hong Kong	Unlimited liability company	–	–	100%	Holding of vehicle license in Hong Kong
韶關興港電力服務有限公司	The PRC	Limited liability company	Paid up capital of HK$3,000,000	–	100%	Investment holding in the PRC
韶關海譽電力服務有限公司	The PRC	Limited liability company	Paid up capital of HK$5,000,000	–	100%	Investment holding in the PRC

The financial statements of the above subsidiaries were audited by BDO Limited, for the statutory purpose and/or for the purpose of the Group consolidation.

Notes to the Financial Statements
For the year ended 31 December 2010

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2010	2009
	HK$'000	*HK$'000*
Listed equity securities, at fair values		
– In Hong Kong	**1,854**	2,136
– Outside Hong Kong	**500**	889
	2,354	3,025
Unlisted equity securities, at costs	**14,293**	14,293
Accumulated impairment losses	**(3,064)**	(3,064)
	11,229	11,229
	13,583	14,254

(a) Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2010 are as follows:

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Cost *HK$'000*	Market value as at 31 December 2010 *HK$'000*	Percentage of the Group's net assets as at 31 December 2010
Shougang Concord Technology Holdings Limited ("SCTHL")	Hong Kong	1,888,000 ordinary shares (2009: 1,888,000 ordinary shares)	Less than 1% (2009: Less than 1%)	614 (2009: 614)	736 (2009: 1,076)	0.72% (2009: 3.70%)
APAC Resources Limited ("APAC")	Bermuda/ Hong Kong	2,280,000 ordinary shares (2009: 2,280,000 ordinary shares)	Less than 1% (2009: Less than 1%)	692 (2009: 692)	1,118 (2009: 1,060)	1.09% (2009: 3.64%)
Medifocus Inc.	Ontario, Canada/ Toronto, Canada	400,000 ordinary shares (2009: 400,000 ordinary shares)	Less than 2% (2009: Less than 2%)	1,334 (2009: 1,334)	500 (2009: 889)	0.49% (2009: 3.05%)

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP (Continued)

(a) Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2010 are as follows (Continued):

SCTHL is principally engaged in manufacture and sale of digital television and provision of digital television technical services, manufacture and distribution of telephone accessories, power cords and adapters, development and provision of system integration solutions, system design and sale of system hardware. No dividend was received during the year (2009: Nil). Based on the latest published annual results of SCTHL, the audited consolidated net assets as at 31 December 2010 were approximately HK$1,296 million. Mr. Mung Kin Keung, an executive director and the chairman of the Company, is an executive director and the vice-chairman of SCTHL.

APAC is principally engaged in trading in base metals and commodities and trading and investment in listed securities. No dividend was received during the year (2009: Nil). Based on the latest published interim report of APAC, the unaudited consolidated net assets as at 31 December 2010 were approximately HK$5,069 million.

Medifocus Inc. is a Canada-based company. The Company is focused on development and commercialisation of minimally invasive, focused-heat tumor targeted cancer treatment devices and systems. No dividend was received during the year (2009: Nil). Based on the latest published interim results of Medifocus Inc., the unaudited consolidated net assets as at 31 December 2010 were approximately HK$12 million (Canadian dollar ("CAD") 1.5 million).

Fair value of the Group's investments in listed equity securities has been measured as described in Note 28.7.

Notes to the Financial Statements

For the year ended 31 December 2010

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP (Continued)

(b) Particulars of available-for-sale financial assets in respect of unlisted equity securities are as follows:

Name	Notes	Place of establishment/ incorporation	Percentage of equity interest held	Cost		Accumulated impairment losses		Carrying value		Percentage of the Group's net assets as at 31 December 2010
				2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	
乳源瑤族自治縣二灣水電站	(i)	The PRC	30%	**2,746**	2,746	**-**	–	**2,746**	2,746	2.68% (2009: 9.43%)
乳源瑤族自治縣坪坑仔水電站	(i)	The PRC	30%	**4,306**	4,306	**-**	–	**4,306**	4,306	4.20% (2009: 14.79%)
乳源瑤族自治縣天泉水電站	(i)	The PRC	30%	**1,886**	1,886	**-**	–	**1,886**	1,886	1.84% (2009: 6.48%)
乳源瑤族自治縣上山水電站	(i)	The PRC	30%	**2,291**	2,291	**-**	–	**2,291**	2,291	2.24% (2009: 7.87%)
Koffman Asset Holding Limited ("Koffman Asset")	(ii)	BVI	9.1%	**3,064**	3,064	**(3,064)**	(3,064)	**-**	–	–
				14,293	14,293	**(3,064)**	(3,064)	**11,229**	11,229	

(i) These companies are principally engaged in the operation of hydro-electricity power plants in the PRC. In the opinion of the directors of the Company, the Group has not been in a position to exercise any significant influence over the financial and operating policies of the four companies as the Group has no representative in the boards of directors of these companies. Accordingly, they are accounted for as available-for-sale financial assets.

As at 31 December 2010, the unaudited net asset values of 乳源瑤族自治縣二灣水電站，乳源瑤族自治縣坪坑仔水電站，乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK$6,057,000 (2009: HK$6,091,000), HK$8,810,000 (2009: HK$9,100,000), HK$4,253,000 (2009: HK$4,154,000) and HK$4,567,000 (2009: HK$5,148,000) respectively. Dividend received/receivable from 乳源瑤族自治縣二灣水電站，乳源瑤族自治縣坪坑仔水電站，乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK$254,200 (2009: Nil), HK$254,200 (2009: Nil), HK$254,200 (2009: Nil) and HK$254,200 (2009: Nil) respectively. The directors of the Company are of the opinion that no allowance for impairment in value of these investments is required as the present value of the estimated future cash flows of these investments were higher than the carrying value.

(ii) Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. The company was in financial difficulties and had ceased operations since 2004. Accordingly, an impairment loss was made against the full investment cost in 2004.

Notes to the Financial Statements

For the year ended 31 December 2010

16. DEPOSITS PAID – THE GROUP AND THE COMPANY

On 16 September 2010, the Company signed non-binding memorandum of understandings ("MOUs") with vendors for the acquisition of equity interests in three investment projects in the PRC, with deposits paid of HKD10,000,000 for each of the investment projects. According to the MOUs, Mr. Mung Kin Keung, an executive director and the chairman of the Company, has provided a personnel guarantee on the deposits paid as security in the event that the vendors are unable to fulfil their responsibility under the MOUs.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – THE GROUP

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Listed securities held for trading:		
– Equity securities in Hong Kong	**12,400**	–

Fair value of the Group's investments in listed equity securities has been measured as described in Note 28.7.

Particulars of financial assets at fair value through profit or loss as at 31 December 2010 are as follows:

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Cost *HK$'000*	Market value as at 31 December 2010 *HK$'000*	Percentage of the Group's net assets as at 31 December 2010
National Arts Holdings Limited ("NAHL")	Bermuda/ Hong Kong	10,000,000 ordinary shares	Less than 2%	11,000	12,400	12.11%

NAHL is principally engaged in film production and distribution, provision of artistes management, advertising and promotion services, provision of network infrastructure and electrical installation services and digital solution services and investment in securities. No dividend was received during the year. Based on the latest published annual report of NAHL, the audited consolidated net assets as at 31 December 2010 were approximately HK$218 million.

Notes to the Financial Statements

For the year ended 31 December 2010

18. CASH AND CASH EQUIVALENTS – THE GROUP AND THE COMPANY

Cash and cash equivalents include the following components

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and in hand	**44,528**	13,516	**44,085**	12,728

The Group has cash and bank balances of approximately HK$1,400 denominated in RMB (2009: HK$711,000). The balances of cash at bank denominated in RMB were deposited with banks in the PRC and bore interest at effective interest rate at 0.06% (2009: 0.36%) per annum.

The Company does not have cash and bank balances denominated in RMB (2009: Nil).

RMB is not freely convertible into foreign currencies under the PRC Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations.

The directors of the Company considered that the fair value of the cash and cash equivalents is not materially different from its carrying amount because of the short maturity period on its inception.

19. ACCRUALS AND OTHER PAYABLES – THE GROUP AND THE COMPANY

All amounts are short-term and hence the carrying values of accruals and other payables are considered to be reasonable approximation of their fair values.

20. AMOUNT DUE TO A RELATED COMPANY – THE GROUP AND THE COMPANY

The amount is unsecured, interest free and has no fixed term of repayment.

21. SHARE CAPITAL

	2010 Number of shares	**2010** HK$'000	2009 Number of shares	2009 HK$'000
Authorised:				
Ordinary shares of HK$0.025 each				
At 1 January	**2,000,000,000**	**50,000**	2,000,000,000	50,000
Increase in authorised ordinary shares *(Note (a))*	**2,000,000,000**	**50,000**	–	–
At 31 December	**4,000,000,000**	**100,000**	2,000,000,000	50,000
Issued and fully paid:				
Ordinary shares of HK$0.025 each				
At 1 January	**1,488,000,000**	**37,200**	1,440,000,000	36,000
Increase in issued ordinary shares *(Notes (b), (c))*	**643,200,000**	**16,080**	48,000,000	1,200
At 31 December	**2,131,200,000**	**53,280**	1,488,000,000	37,200

The share capital of the Company comprises only fully paid ordinary shares with a par value of HK$0.025 each. All shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

Notes:

(a) By a ordinary resolution dated 30 June 2010, the authorised share capital of the Company was increased from HK$50,000,000 divided into 2,000,000,000 ordinary shares of HK$0.025 each to HK$100,000,000 by the creation of further 2,000,000,000 ordinary shares of HK$0.025 each.

(b) On 18 December 2009, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place 288,000,000 new ordinary shares at a placing price of HK$0.125 each. On 13 January 2010, the Company received a gross proceed of HK$36,000,000 from the placing of 288,000,000 new ordinary shares of HK$0.025 each at the placing price of HK$0.125 each.

On 14 October 2010, the Company entered into subscription agreements with three subscribers pursuant to which the Company has conditionally agreed to issue 355,200,000 new ordinary shares at a subscription price of HK$0.125 each. On 28 October 2010, the Company received a gross proceed of HK$44,400,000 from the issuance of 355,200,000 new ordinary shares of HK$0.025 each at the subscription price of HK$0.125 each.

(c) On 12 May 2009, the Company and a subscriber entered into a subscription agreement pursuant to which the subscriber agreed to subscribe for a total number of 48,000,000 ordinary shares at a subscription price of HK$0.125 per share.

Notes to the Financial Statements

For the year ended 31 December 2010

22. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2010 of HK$102,407,000 (2009: HK$29,111,000) and the 2,131,200,000 (2009: 1,488,000,000) ordinary shares in issue.

23. SHARE OPTION SCHEME

The Company has adopted a new share option scheme on 12 January 2009, (with supplementary amendment on 30 June 2010) (the "New Scheme") which simultaneously terminated the share option scheme adopted on 23 May 2002 (the "Old Scheme"). Under the New Scheme, the directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12 January 2009.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares. The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options under the New Scheme have no vesting period.

No options have been granted under the Old and New Schemes.

Notes to the Financial Statements

For the year ended 31 December 2010

24. RESERVES

(a) The Group

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity to the financial statements.

(b) The Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2009	110,501	(118,663)	(8,162)
Issue of shares	4,800	–	4,800
Shares issue expenses	(60)	–	(60)
Loss for the year and total comprehensive income for the year	–	(5,236)	(5,236)
At 31 December 2009 and at 1 January 2010	115,241	(123,899)	(8,658)
Issue of shares	64,320	–	64,320
Shares issue expenses	(998)	–	(998)
Loss for the year and total comprehensive income for the year	–	(5,999)	(5,999)
At 31 December 2010	**178,563**	**(129,898)**	**48,665**

Under the Companies Law (Revised) of Cayman Islands, the share premium of the Company is available for distributions of paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions of dividend, the Company is able to pay its debt as they fall due in the ordinary course of business.

In accordance with the Company's Memorandum and Articles of Association, the Company may make a distribution out of share premium subject to the provision of the Companies Law (Revised) of Cayman Islands.

Notes to the Financial Statements

For the year ended 31 December 2010

25. RELATED PARTY TRANSACTIONS

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

(i) Significant transactions with related parties

	Notes	**2010** **HK'$000**	2009 HK$'000
Office rental paid/payable to a related company	*(a)*	**274**	114
Investment management fees paid/payable to Hua Yu Investment Management Limited ("Hua Yu")	*(b)*	**258**	600
Investment management fees paid/payable to OP Calypso Capital Limited ("OP Calypso")	*(c)*	**317**	–

(a) Office rental paid/payable to a related company, in which Mr. Mung Kin Keung is a common director and shareholder of the related company and the Company. The office rental was charged in accordance with the terms negotiated between the relevant parties.

(b) On 12 May 2005, the Company entered into an investment management agreement (the "Agreement") with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007, 18 April 2008 and 17 April 2009 for a period of 1 year respectively. Investment management fees paid/payable to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 for every three months.

Hua Yu resigned from being the investment manager of the Company with effect from 12 May 2010.

(c) OP Calypso was appointed by the Company as investment manager with effect from 13 May 2010 for a period of 1 year, to provide asset management services to the Company.

The investment management fee is HK$500,000 per annum. The fee was charged in accordance with the terms negotiated between the relevant parties.

(ii) Compensation of key management personnel remuneration

The directors are of the opinion that the key management personnel were the executive directors and independent non-executive directors of the Company, details of whose emoluments are set out in Note 9(a).

26. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

On 4 May 2009, the Group disposed its entire equity interest in a wholly owned subsidiary, New Portfolio Limited, to an independent third party at a consideration of HK$1.

Disposal of a subsidiary

	2009
	HK$'000
Net assets disposed of:	
Investment in a subsidiary	–
Cash and cash equivalents	2
	2
Loss on disposal of a subsidiary	(2)
Total consideration, satisfied by cash	–

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

	2009
	HK$'000
Cash consideration	–
Cash and cash equivalents disposed of	(2)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2)

27. ASSETS ACQUISITION

On 1 November 2009, the Group acquired 100% of the share capital of Excellent Base and Ocean Power.

Excellent Base and Ocean Power were investment holding companies and had no operations at the date of acquisition. Excellent Base and Ocean Power held primarily investment shares in four hydro-electricity power plants in the PRC as disclosed in Note 15(b)(i). The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the directors of the Company were of the opinion that the acquisition of Excellent Base and Ocean Power was a purchase of net assets which did not constitute a business combination for accounting purpose.

Notes to the Financial Statements

For the year ended 31 December 2010

27. ASSETS ACQUISITION (Continued)

The fair value of net assets acquired was as follows:

	Fair value
	HK$'000
Cash and cash equivalents	629
Prepayments	5,600
Available-for-sale financial assets	5,793
Shareholder's loan	(8,117)
Other payables	(22)
	3,883
Add: Shareholder's loan	8,117
Net assets acquired	12,000

	HK$'000
Purchase consideration settled in cash	12,000
Cash and cash equivalents acquired	(629)
Net cash outflow on assets acquisition	11,371

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the reporting date, the Group's and the Company's financial instruments mainly consisted of cash and cash equivalents, available-for-sale financial assets, financial assets at fair value through profit or loss, other receivables, amounts due from subsidiaries, accruals and other payables and amount due to a related company.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.1 Categories of financial assets and liabilities

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

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**13,583**	14,254	**–**	–
Financial assets at fair value through profit or loss	**12,400**	–	**–**	–
Loans and receivables				
– Cash and cash equivalents	**44,528**	13,516	**44,085**	12,728
– Other receivables	**1,432**	278	**–**	–
– Amounts due from subsidiaries	**–**	–	**15,622**	3,146
	71,943	28,048	**59,707**	15,874

Financial liabilities

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities measured at amortised cost				
– Accruals and other payables	**(759)**	(431)	**(659)**	(411)
– Amount due to a related company	**(125)**	–	**(125)**	–
	(884)	(431)	**(784)**	(411)

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.2 Interest rate risk

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

The Group has interest-bearing assets in relation to cash at banks carried at effective interest rates with reference to the market. Details of which are disclosed in Note 18. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal. The Group has no interest-bearing borrowings.

The Group does not have any exposure to interest rate risk at the reporting date nor in comparative periods and is not exposed to changes in market interest rates.

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

The Company does not expose to interest rate risk as no interest-bearing borrowings at the reporting date.

28.3 Foreign currency risk

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

The Group is operated in Hong Kong and most of its transactions are settled in Hong Kong dollars. Deposits invested into various bank deposits are denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB"). As at the reporting date, foreign currencies were translated into HK$ at the closing rate. As at 31 December 2010, cash and bank balances included RMB1,200 (approximately HK$1,400) (2009: RMB624,000 (approximately HK$711,000)) and the remaining balance of HK$44,527,000 (2009: HK$12,805,000) is denominated in HK$.

The foreign currency exchange rate fluctuations in connection with the Group's bank deposits and foreign currency denominated available-for-sale financial assets are not significant.

The Company does not have significant exposure to foreign currency risk at the reporting date.

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The carrying amounts of cash at banks, other receivables and amounts due from subsidiaries included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's cash at banks are deposited with authorised banks located in Hong Kong and the PRC, therefore the directors consider that credit risk for such is minimal. The Group has no other significant concentration of credit risk.

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

28.5 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its listed equity investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors. Any amount of investment cost over HK$10,000,000 is subject to the approval of the board of directors.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 20% in the current year (2009: 10%) as a result of the volatile financial market.

If equity prices has been 20% higher/lower, post tax loss for the year and other comprehensive income for the year ended 31 December 2010 would decrease and increase/increase and decrease by approximately HK$2,071,000 and HK$471,000 (2009: other comprehensive income would increase/decrease by approximately HK$303,000) respectively. This is due to the change in fair value of listed equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

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

Notes to the Financial Statements

For the year ended 31 December 2010

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of accruals and other payables and amount due to a related company, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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

The Group maintains cash and bank deposits to meet its liquidity requirements for 30 day periods at a minimum. The Group finances its working capital requirements by the funds generated from operations and capital placement. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

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

Notes to the Financial Statements
For the year ended 31 December 2010

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.6 Liquidity risk (Continued)

Analysed below is the Group's and the Company's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

		The Group 2010	
	Within one year or on demand	**Total contractual undiscounted cash flow**	**Carrying amount**
	HK$'000	***HK$'000***	***HK$'000***
Non-derivative financial liabilities			
Accruals and other payables	**759**	**759**	**759**
Amount due to a related company	**125**	**125**	**125**
	884	**884**	**884**

		The Group 2009	
	Within one year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liability			
Accruals and other payables	431	431	431

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.6 Liquidity risk (Continued)

	The Company 2010		
	Within one year or on demand *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Carrying amount** *HK$'000*
Non-derivative financial liabilities			
Accruals and other payables	**659**	**659**	**659**
Amount due to a related company	**125**	**125**	**125**
	784	**784**	**784**

	The Company 2009		
	Within one year or on demand *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
Non-derivative financial liability			
Accruals and other payables	411	411	411

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.7 Fair value measurements recognised in the consolidated statement of financial position

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2010

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.7 Fair value measurements recognised in the consolidated statement of financial position (Continued)

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

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets				
Available-for-sale financial assets				
– listed equity securities, at fair value	**2,354**	**–**	**–**	**2,354**
Financial assets at fair value through profit or loss				
– listed equity securities, at fair value	**12,400**	**–**	**–**	**12,400**
	14,754	**–**	**–**	**14,754**

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets				
– listed equity securities, at fair value	3,025	–	–	3,025

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

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

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

29. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

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

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

The Group regards total equity presented on the face of the consolidated statement of financial position as capital, for capital management purpose, which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

Financial Summary

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	38	14	5	11	**1,046**
Loss from operations	(10,206)	(3,259)	(2,356)	(5,037)	**(6,313)**
Finance costs	(144)	–	–	–	**–**
Loss before income tax	(10,350)	(3,259)	(2,356)	(5,037)	**(6,313)**
Income tax expense	–	–	–	(79)	**–**
Loss for the year	(10,350)	(3,259)	(2,356)	(5,116)	**(6,313)**

	As at 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Property, plant and equipment	64	–	–	1,375	**1,096**
Available-for-sale financial assets	–	–	189	14,254	**13,583**
Deposits paid	–	–	–	–	**30,000**
Current assets	6,611	2,340	28,271	13,992	**58,685**
Current liabilities	(1,467)	(391)	(555)	(510)	**(957)**
Net assets	5,208	1,949	27,905	29,111	**102,407**
Equity	5,208	1,949	27,905	29,111	**102,407**