北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

Annual Report 2010

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHOU Si *(Chairman)* (appointed on 1 January 2011)
Mr. ANG Keng Lam *(Vice Chairman)* (appointed on 1 January 2011)
Mr. YU Li *(Vice Chairman)* (appointed on 1 January 2011)
Mr. QIAN Xu *(Chief Executive Officer)*
Mr. SIU Kin Wai *(Chief Financial Officer)*
Mr. XU Taiyan (appointed on 1 January 2011)
Mr. JIANG Xinhao (appointed on 1 January 2011)
Ms. MENG Fang (appointed on 1 January 2011)
Mr. YU Luning (appointed on 1 January 2011)
Mr. LIU Xueheng (appointed on 1 January 2011)
Mr. LEI Zhengang (resigned on 1 January 2011)

Non-Executive Director

Mr. LIN Chun Kuei

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang (appointed on 1 January 2011)

AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew *(Chairman)*
Mr. GOH Gen Cheung
Mr. NG Tang Fai, Ernesto

NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto *(Chairman)*
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. QIAN Xu
Mr. LIN Chun Kuei

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. QIAN Xu
Mr. LIN Chun Kuei

COMPANY SECRETARY

Mr. SIU Kin Wai

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants

WEBSITE

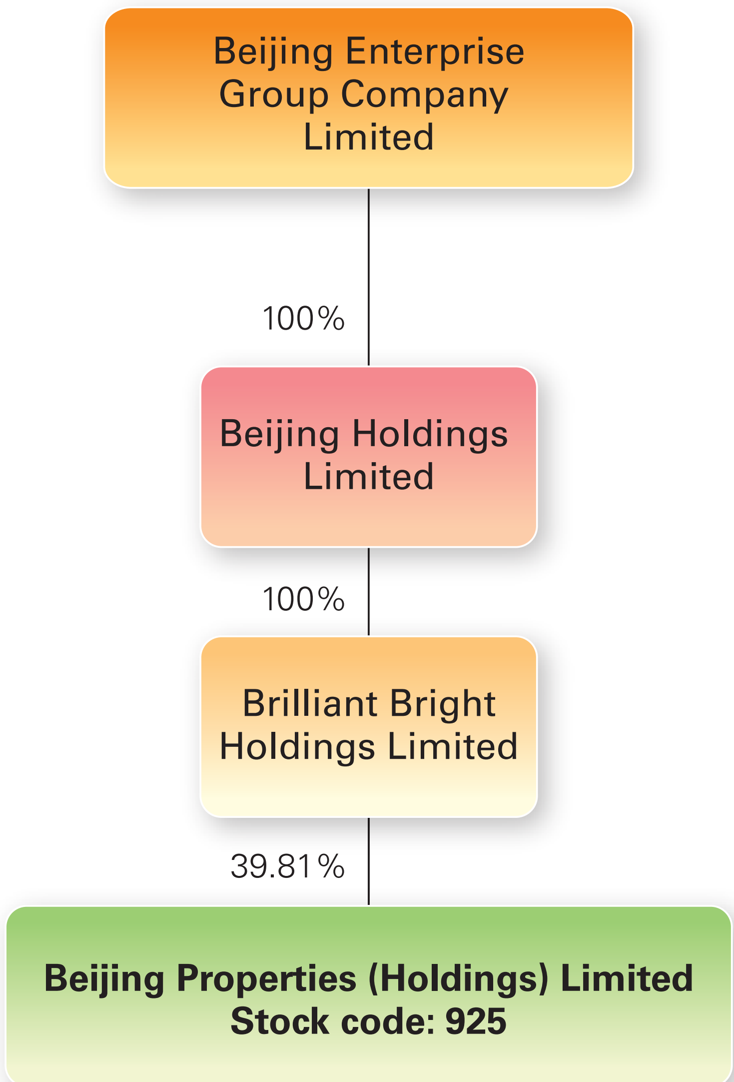
www.bphl.com.hk

PRINCIPAL BANKERS

Citic Bank International Limited
Bank of China (Hong Kong) Limited
Bank of Communications, Hong Kong Branch
Chinatrust Bank (USA)
China Construction Bank
Standard Chartered Bank (Hong Kong) Limited

GROUP STRUCTURE

As at 31 March 2011



DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors (the "Board") currently consists of fifteen directors, comprising ten executive directors, one non-executive director and four independent non-executive directors.

EXECUTIVE DIRECTORS

Mr. ZHOU Si, aged 54, *Chairman*. Mr. Zhou is a Director of Beijing Enterprises Group Company Limited, a controlling shareholder of the Company (the "BE Group"), the Vice-Chairman and an Executive Director of Beijing Enterprise Holdings Limited ("BEHL"), a company listed on the Stock Exchange of Hong Kong Limited (the "SEHK") (SEHK stock code: 392) and the Chairman of Beijing Gas Group Co., Ltd (the "Gas Group"), both are subsidiaries of the BE Group. Mr. Zhou obtained his bachelor's degree in science (physics) from Capital Normal University in 1978 and an MBA degree from School of Economics and Management of Tsinghua University in 1998. From 1984 to 2003, Mr. Zhou was the Chief Officer of the General Planning Division and subsequently Deputy Division Head, Division Head, Deputy Director and Senior Economist of the Planning Division of Beijing Municipal Management Commission. Mr. Zhou has extensive experience in economics, finance and enterprise management. Mr. Zhou was appointed as an Executive Director and the Chairman of the Group since 1 January 2011.

Mr. ANG Keng Lam, aged 64, *Vice Chairman*. Mr. Ang is the Chairman of Kerry Logistics Network Limited and a Vice Chairman of Kerry Holdings Limited, which is the controlling shareholder of the Kerry Properties Limited (SEHK stock code: 683) and is the holding company of Thular Limited, a substantial shareholder of the Company. Mr. Ang is also the Chairman of China World Trade Center Co. Limited (Shanghai A share stock code: 600007) and a Non-Executive Director of Allgreen Properties Limited (Singapore Exchange Limited stock code: A16). He is a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Ang attended the University of Western Australia, where he gained his bachelor's degree in civil engineering and the University of Toronto, where he obtained a MBA degree. He also attended and completed the International Advanced Management Programme at Harvard Business School in 1998. Mr. Ang was appointed a consultant of the Company since 9 April 2010 and was appointed as an Executive Director and then the Vice Chairman of the Group since 1 January 2011 and 31 March 2011 respectively.

Mr. YU Li, aged 47, *Vice Chairman*. Mr. Yu is an Executive Director of the Gas Group. Mr. Yu obtained an Executive MBA degree from the Peking University. Mr. Yu has extensive experience in corporate management. Mr. Yu was appointed as an Executive Director and then the Vice Chairman of the Group since 1 January 2011 and 31 March 2011 respectively.

Mr. QIAN Xu, aged 47, *Chief Executive Officer*. Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a bachelor's degree in economics. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a Director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian was appointed as an Executive Director of the Group since July 2009.

Mr. SIU Kin Wai, aged 42, *Chief Financial Officer*. Mr. Siu graduated from the City University of Hong Kong with a bachelor's degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and members of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory and assurance. Mr. Siu is a Director of Brilliant Bright, which is a controlling shareholder of the Company and serves as the Chief Financial Officer of Beijing Holdings Limited ("BHL"), which is the holding company of Brilliant Bright. Mr. Siu is also the Independent Non-Executive Director of Agritrade Resources Limited (formerly known as Kwong Hing International Holdings (Bermuda) Limited) (SEHK stock code: 1131) since August 2010. Mr. Siu was appointed as an Executive Director of the Group since July 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Taiyan, aged 57, is a Vice President and the Company Secretary of the BE Group and an Executive Director of the Gas Group. Mr. Xu obtained his bachelor's degree in economics from the Renmin University of China. Mr. Xu has extensive experience in corporate management. Mr. Xu was appointed as an Executive Director of the Group since 1 January 2011.

Mr. JIANG Xinhao, aged 46, is a Vice General Manager of the BE Group, an Executive Director and a Vice-President of BEHL and an Executive Director of Beijing Enterprises Water Group Limited (SEHK stock code: 371), both are subsidiaries of the BE Group. Mr. Jiang graduated from Fudan University in 1987 with a bachelor's degree in law, and then in 1992 with a master's degree in law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 2000 to 2005, Mr. Jiang was a Manager of the investment development department of BHL, and the General Manager of 北京京泰投資管理中心, a wholly owned subsidiary of BHL. He served as a Policy Analyst of the Chinese State Commission of Restructuring Economic System from 1987 to 1989. Mr. Jiang has extensive experience in corporate finance and corporate management. Mr. Jiang was appointed as an Executive Director of the Group since 1 January 2011.

Ms. MENG Fang, aged 47, is the Chief Administrative Officer of the BE Group. Ms. Meng graduated from Chinese Academy of Social Sciences. Ms. Meng has extensive experience in corporate management. Ms. Meng was appointed as an Executive Director of the Group since 1 January 2011.

Mr. YU Luning, aged 49, is a director of BHL Investment Consulting Co., Ltd and 北京京泰同成置業有限公司, both are subsidiaries of the Company. Mr. Yu graduated from the Economics and Management Faculty of the Beijing Industrial University with a bachelor's degree in economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu was appointed as an Executive Director of the Group since 1 January 2011.

Mr. LIU Xueheng, aged 37, obtained his MBA from the Cambridge University of the United Kingdom. Mr. Liu has extensive experience in the equity investment, corporate finance, IPO listings and mergers and acquisitions. Mr. Liu is a co-founder of Partners Capital International Limited and Vision Finance Group Limited and is currently an Executive Director of Vision Finance Group Limited and the Chief Executive Officer of Vision Finance Active Investments Limited. Mr. Liu was appointed as an Executive Director of the Group since 1 January 2011.

NON-EXECUTIVE DIRECTOR

Mr. LIN Chun Kuei, aged 60. Mr. Lin is the founder of the Group and has over 20 years of experience in the giftware industry. Before joining the Group's giftware business, he operated the machine and spare parts manufacturing business. He is the father of Mr. Lin Wei Hung, the President of Silkroadgifts, Inc., a subsidiary of the Company.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. GOH Gen Cheung, aged 64. Mr. Goh has been appointed as Independent Non-Executive Director of the Group since November 1997. He has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as Independent Non-Executive Directors of CEC International Holdings Limited (SEHK stock code: 759) and Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728). Effective from 8 February 2009 and 16 December 2009, Mr. Goh resigned from Independent Non-Executive Directors of Karce International Holdings Company Limited (SEHK stock code: 1159) and China Favors and Fragrances Company Limited (SEHK stock code: 3318), respectively.

Mr. MA Chiu Cheung, Andrew, aged 69. Mr. Ma has been appointed as an Independent Non-Executive Director of the Group since September 2004. Mr. Ma is a founder and former Director of Andrew Ma DFK (CPA) Limited and is currently a Director of Mayee Management Limited. He has over 30 years of experience in the field of corporate advisory and assurance and finance. He received his bachelor's degree, majoring in economics, from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. Mr. Ma also serves as Independent Non-Executive Directors of Asia Financial Holdings Limited (SEHK stock code: 662), Tanrich Financial Holdings Limited (SEHK stock code: 812), C.P. Pokphand Company Limited (SEHK stock code: 43), China Resources Power Holdings Company Limited (SEHK stock code: 836) and Chong Hing Bank Limited (SEHK stock code: 1111). Mr. Ma is also an Non-Executive Director of Asian Citrus Holdings Limited, a company listed both on the AIM Board of The London Stock Exchange (AIM stock code: ACH) and on the SEHK (SEHK stock code: 73).

Mr. NG Tang Fai, Ernesto, aged 67. Mr. Ng has been appointed as an Independent Non-Executive Director of the Group since May 2007. Mr. Ng has extensive experience in the areas of corporate governance, banking and capital markets. He is now the Executive Vice President of Asia Financial Holdings Limited (SEHK stock code: 662).

Mr. ZHU Wuxiang, aged 45. Mr. Zhu is currently a Professor and Deputy Chairman of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in quantitative economics and has obtained a doctorate degree. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as Independent Non-Executive Directors of Shenzhen Telling Telecommunications Holding Co., Ltd. (Shenzhen A share stock code: 000829), Shandong Shengli Co., Ltd. (Shenzhen A share stock code: 000407), Beijing Yanjing Brewery Co., Ltd (Shanghai A share stock code: 000729), a subsidiary of BEHL, and Goertek Inc. (Shenzhen A share stock code: 002241). Mr. Zhu was also an Independent Non-Executive Director of ZTE Corporation (SEHK stock code: 763) between July 2003 and July 2009, Ningbo Xinhai Electric Co., Ltd (Shanghai A share stock code: 002120) between March 2006 and April 2009 and Beijing Teamsun Technology Co., Ltd. (Shanghai A share stock code: 600410) between April 2007 and May 2010. Mr. Zhu was appointed as an Independent Non-Executive Director of the Group since 1 January 2011.

CHAIRMAN'S STATEMENT

Zhou Si
Chairman

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby announce to our valued shareholders and investors the annual report of Beijing Properties (Holdings) Limited (the "Company"; together with its subsidiaries, the "Group") for the financial year ended 31 December 2010.

Since last year, in order to maximize return to our valued shareholders, we changed our business strategy to become developer in residential, commercial and logistic properties and had successfully acquired 60% in Owners' City as the remarkable progress of us going into the new business. This project will become the first premier landmark project of the Group. We expect the income from the Owners' City will be recognized in the fourth quarter of fiscal 2011.

For purpose of reserving enough fund for our expansion in properties business, the Company issued an aggregate of HK$2,000,000,000 convertible bonds during the year. The Company currently has over HK$3 billion cash balance. We believe we are capable of establishing profitable assets and projects portfolios in the foreseeable future which finally will achieve long-term capital growth of shareholders' value.

Looking forward, we are still facing challenges from the inflation, the uncertain economic environment, and a series of new policy for property market to be implemented by the government of the People's Republic of China (the "Mainland China"), with major focuses on control of speculative activities. In spite of such challenges, we are optimistic that a healthy property environment can be created. We will allocate our resources to expand and diversify our investments and business operations cautiously. By the end of the Twelveth Five-Year Plan, we target to be one of the branded leading developers in residential and commercial properties and to be the leader of the logistics properties and its related businesses in the northern region of the Mainland China.

CHAIRMAN'S STATEMENT

APPRECIATION

At last, on behalf of the Board, I would like to express our since gratitude to our shareholders, customers, banks and business partners for their continuous trust and support, and to all of our staffs for their dedicated efforts in facilitating the Group's business restructuring and new business integration. Particularly, Mr. Lei Zhengang, our previous Chairman and Executive Director of the Company, the Board would like to take this opportunity to thank Mr. Lei for his valuable contribution during the tenure of his chairmanship in the Company during the past year.

Zhou Si
CHAIRMAN

Hong Kong, 31 March 2011

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended 31 December 2010 (the "Fiscal Year 2010"), the Group recorded a consolidated loss attributable to the owner of the Company of approximately HK$153,765,000, as compared to the consolidated loss of approximately HK$22,468,000 recorded in the year ended 31 December 2009 (the "Fiscal Year 2009").

The significant increase in consolidated loss of the current year is primarily due to the recognition of an aggregate of approximately HK$86,533,000, being equity-settled share option expenses, during the current year and the absence of significant gain of approximately HK$100,466,000 arising from disposal of subsidiaries, as in 2009, in current year.

MARKET REVIEW AND OUTLOOK

The government of the Mainland China had implemented a series of new measures since 2010 to curb the speculation of the residential property prices and thus to stabilize the market development. We believe the government of the Mainland China will further fine-tune those measures in order to consolidate and enhance the positive results of austerity and to manage inflation effectively. The Board is optimistic that all existing and future measures will direct the healthy development of the China property market.

Looking forward, we are still facing the challenges from the inflation, the uncertain economic environment, and the possible new series of policy imposed by the government to manage the residential property market. The Board, however, is confident of our business return in future as our risks are diversified by our other focuses on commercial and logistics properties. The Board will closely monitor the resources allocation with reference to the changes in business environment of the above different property sectors with purpose to maximize the return and to minimize the risk of the Group. We will assess and undertake our expansion and operation cautiously and appropriate investment opportunities in different property sectors will also be watched closely. We expect that the Group will be able to build up and expand our assets and projects portfolios successfully, with a view to enhancing long-term capital growth for the benefits of shareholders.

BUSINESS REVIEW AND PROSPECTS

Property Business

Since Fiscal Year 2009, the Company changed corporate strategy to participate in properties sector which involve residential, commercial and logistic properties. On 9 July 2010, the Company successfully acquired the Owners' City, a residential property project in Beijing, Mainland China. This project will become the first premier landmark project of the Group upon completion.

The Owner City is located at No. Jia 1 Dong Si Huan Nan Road Shiba Li Dian Xiang Chaoyang District Beijing, which comprises, under construction, a parcel of land with a site area of 33,457.08 square meters and residential buildings with 133,311 square meters gross floor area. We expect the project will be completed in the fourth quarter of 2011 and thus the income from the Owners' City will then be recognized. Pre-sale of Owners' City had been launched since January 2010 and all units were sold. Following the Group's new strategy, we will endeavour to develop our own brand with high quality properties in residential, commercial and logistic sectors to meet the ample domestic demand in the Mainland China.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW (Continued)

Home Garden and Plastic Decorative Products Business (the "Home Product Business")

The scale down of the loss-making manufacturing activities of the home products business continued to benefit the Company in the Fiscal Year 2010. The gross profit ratio of the business was improved from 15.78% of the Fiscal Year 2009 to approximately 17.66%. Despite the improvement, however, we are still facing challenge and harsh business environment of this business in the global market. The appreciation of Renminbi ("RMB"), the increase in wages, overheads and subcontracting costs caused by the general inflation in the Mainland China has made the business still operating in a loss-making position. We will continue the strategy of outsourcing our manufacturing activities in coming periods to further improve the profit margin.

MAJOR EVENTS OF THE YEAR

Acquisition of 60% interest in Owners' City

On 27 January 2010, the Company entered into a conditional agreement with BHL to acquire 60% interests in Owners' City, a properties under development for sale in the Mainland China, at a total consideration of RMB92,250,000 (equivalent to approximately HK$104,810,000), of which RMB60,750,000 (equivalent to approximately HK$69,024,000) will be settled by issue and allotment of 83,362,500 new shares of the Company and RMB31,500,000 (equivalent to approximately HK$35,790,000) will be settled by cash payment (the "Acquisition").

The Acquisition constituted a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), which had been approved by the independent shareholders in a special general meeting held on 12 March 2010 and was completed on 9 July 2010.

Disposal of Property

On 13 April 2010, Luhe Yuansheng Light Industrial Products Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party pursuant to which a factory complex which is located in Yingxia Village, Hekou, Luhe, the Mainland China was sold at a total consideration of RMB13,500,000 (equivalent to approximately HK$15,566,000). A gain of approximately RMB5,438,000 (equivalent to approximately HK$6,249,000) arising from this disposal was recorded in the Fiscal Year 2010 based on the carrying value of the property of approximately RMB8,062,000 (equivalent to approximately HK$9,317,000)

Letter of intent in respect of the proposed establishment of joint venture

On 6 May 2010, the Company entered into a letter of intent with 北京市四季青農工商總公司 for the proposed establishment of a sino-foreign equity joint venture to engage in the development of a luxury hotel property initially named 玉泉山貴賓館, located in Yuquanshan, Beijing, the Mainland China.

MANAGEMENT DISCUSSION & ANALYSIS

MAJOR EVENTS OF THE YEAR (Continued)

Subscription and placing of convertible bonds

On 25 June 2010, (i) the Company and Beijing Enterprises Group (BVI) Company Limited (the "Subscriber"), a wholly owned subsidiary of the BE Group, entered into a conditional subscription agreement in connection with the issue by the Company of the convertible bonds to the Subscriber with an aggregate principal amount of HK$1,500,000,000, on the terms and conditions set out in the subscription agreement (the "Subscription"); and (ii) the Company and the placing agent entered into a conditional placing agreement pursuant to which the Company has appointed the placing agent as its exclusive agent for the purpose of the placing and the placing agent has conditionally agreed, on a best effort basis, to procure not fewer than six placees to subscribe in cash for the convertible bonds, at the same terms and conditions of the convertible bonds as subscribed by the Subscriber, with an aggregate principal amount of HK$500,000,000 (the "Placing").

The transaction with the Subscriber constituted a connected transaction under the Listing Rules and had been approved by the independent shareholders in a special general meeting held on 2 September 2010.

On 3 December 2010 and 31 December 2010, the Subscription and the Placing were completed and the Company issued convertible bonds of HK$499,850,000 and HK$1,500,000,000 to independent third parties and the Subscriber respectively.

FINANCIAL REVIEW

Turnover and Gross Profit analysis

Revenue for the Fiscal Year 2010 amounted to approximately HK$139,387,000, representing a decrease of approximately HK$16,139,000 or 10.38%, from approximately HK$155,526,000 of the Fiscal Year 2009, due primarily to continuous decrease in demand of the Group's products as a result of the slow economic recovery of the United States of America, which is our major market.

The gross profit ratio of the home products business was improved from approximately 15.78% of the Fiscal Year 2009 to approximately 17.66% of the current year.

Distribution and selling expenses

During the Fiscal Year 2010, total distribution and selling expenses decreased by approximately HK$3,061,000, or 8.72%, from approximately HK$35,088,000 of the Fiscal Year 2009 to approximately HK$32,027,000. The decrease in total distributing and selling expense is mainly due to the continuous downsize of our loss-making manufacturing operations of the home products business since last year.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW (Continued)

Administrative expenses

The administrative expenses of the Fiscal Year 2010 included the equity-settled share option expenses of approximately HK$29,607,000 arising from share options granted to employees and directors during the year. If excluded this item, the administrative expenses of the Fiscal Year 2010 of the Group amounted to approximately HK$62,650,000, which represented a decrease of approximately HK$2,774,000, or 4.24%, from approximately HK$65,424,000 of the Fiscal Year 2009, due to continuous downscaling of the home product business.

Finance Costs

Total finance costs incurred by the Group in the Fiscal Year 2010 amounted to approximately HK$2,541,000 (2009: approximately HK$3,717,000), which comprised interests on bank and other borrowings of approximately HK$466,000 (2009: approximately HK$3,717,000) and imputed interest of convertible bonds of approximately HK$2,075,000 (2009: Nil).

During the Fiscal Year 2010, zero coupon convertible bonds of HK$1,999,850,000 were issued by the Company and thus imputed interest of approximately HK$2,075,000 was recorded pursuant to the applicable accounting standards. The imputed interest does not affect the actual cashflow of the Group.

Liquidity and Financial Resources

During the Fiscal Year 2010, the Group revamped its business strategy and actively seeked various opportunities to step into property business. With a view to capitalizing sufficient financial resources for future possible acquisitions and strategic investment in different property sectors, the Company raised total gross proceed of HK$1,999,850,000 during the year by issuance of convertible bonds.

As at 31 December 2010, the Group had total borrowing of approximately HK$1,339,877,000 (2009: approximately HK$10,274,000). The Group's gearing ratio, which is defined as total borrowing as percentage of total assets, is approximately 32.41% (2009: approximately 1.60%).

The Group's cash and bank balance at 31 December 2010 amounted to approximately HK$3,303,855,000 (2009: approximately HK$522,251,000), which was denominated in United States dollars ("USD"), Hong Kong dollars and RMB. The cash balances, together with the unutilised banking facilities, will enable the Group to finance both businesses at the moment.

As at 31 December 2010, the Group's current ratio and quick ratio were approximately 145.93% (2009: approximately 913%) and approximately 124.59% (2009: approximately 909%) respectively.

Capital Expenditures

During the Fiscal Year 2010, the Group spent approximately HK$5,818,000 (2009: approximately HK$22,260,000) as capital expenditures, which included acquisition of furniture and fixtures, office equipments, motor vehicles and plant and machinery for our office in Beijing, Mainland China.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW (Continued)

Foreign Exchange Exposure

The Group did not engage in any hedging transactions related to foreign currencies during the Fiscal Year 2010. Since the Group's major revenue and purchase are denominated in USD, there is a natural hedge to some extent. Part of the purchases and manufacturing overheads are denominated in RMB, and to mitigate the impact of exchange rate fluctuations, the Group will closely assess and monitor the movement of RMB exchange rate, and to consider hedging the relative exposure should the need arise.

Contingent Liabilities

As at 31 December 2009 and 2010, the Group had no significant contingent liability.

Charges on Assets

The Group had no charges on assets as of 31 December 2010 (2009: HK$31,061,000).

Employees and Remuneration Policies

As at 31 December 2010, the Group had a total of 292 (2009: 347) employees. Total staff cost incurred during the Fiscal Year 2010 amounted to approximately HK$77,586,000 (2009: approximately HK$45,640,000) (including staff cost included in cost of sales, directors' remuneration and equity-settled option expenses).

The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Composition and role

The Board of Directors (the "Board") currently consists of fifteen directors: comprising ten Executive Directors, namely, Mr. Zhou Si, Mr. Ang Keng Lam, Mr. Yu Li, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Xu Taiyan, Mr. Jiang Xianhao, Ms. Meng Fang, Mr. Yu Luning and Mr. Liu Xueheng; one Non-Executive Director, namely, Mr. Lin Chun Kuei; and four Independent Non-Executive Directors ("INED(s)"), namely, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Ma Chiu Cheung, Andrew and Mr. Zhu Wuxiang. One of the INEDs, namely, Mr. Ma Chiu Cheng, Andrew, has the professional and accounting qualifications required by the Listing Rules. The function of the Board is to formulate corporate strategy and business development. The Board met regularly during the year to approve acquisition and disposal, connected transactions, placing of shares and monitoring the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the Chief Executive Officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

Board Meeting

Attendance records of the Board meetings for the year were set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	12	3	4	2
Name of Director	**Number of meetings attended**			
Executive Directors				
Mr. Lei Zhengang	5	N/A	N/A	N/A
Mr. Qian Xu	7	N/A	1	1
Mr. Siu Kin Wai	12	N/A	N/A	N/A
Non-Executive Director				
Mr. Lin Chun Kuei	3	N/A	0	0
Independent Non-Executive Directors				
Mr. Goh Gen Cheung	12	3	4	2
Mr. Ma Chiu Cheung, Andrew	12	3	4	2
Mr. Ng Tang Fai, Ernesto	12	3	4	2

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of CG Code stipulates that Non-Executive Directors should be appointed for a specific term, subject to re-election. Before 1 May 2010, the Non-Executive Director and two of the three INEDs of the Company have not been appointed for a specific term but all of them are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Effective from 1 May 2010, following the service agreements signed between the Company and all INEDs, except for the Non-Executive Director, all INEDs have been appointed for a specific term.

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct in respect of securities transactions of the directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding director's securities transaction during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2010. Despite the fact that the Company has made effort to maintain proper corporate governance standard, certain code provisions are not fully complied with and the material deviations are set out below:

(i) Under Code provision A.3.2, the Company should appoint INEDs representing at least one-third of the board. Subsequent to the appointment of additional Executive Directors as at 1 January 2011, out of the fifteen directors in the board, currently only four of them were INEDs;

(ii) Under Code provision A.4.1, the Non-Executive Directors should be appointed for a specific term, subject to re-election. Before 1 May 2010, the Non-Executive Director and two of the three INEDs of the Company have not been appointed for a specific term but all of them are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Effective from 1 May 2010, following the service agreements signed between the Company and all INEDs, all of them except for the Non-Executive Director have been appointed for a specific term; and

(iii) Under Code E.12, the chairman of the Board was unable to attend the annual general meeting of the Company held on 17 June 2010 due to unexpected business commitments. Alternatively, Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company attended the said annual general meeting.

BOARD COMMITTEES

The Board has established three board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Remuneration Committee and Nomination Committee. The Audit Committee, Remuneration Committee and Nomination Committee perform their specific roles in accordance with their respective written terms of reference.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee

The audit committee was established in 1999 and all members are INEDs. Members of the audit committee are Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung and Mr. Ng Tang Fai, Ernesto. The audit committee is chaired by Mr. Ma Chiu Cheung, Andrew who is the founder and a former Director of Andrew Ma DFK (CPA) Limited and has over 30 years of experience in the field of corporate advisory and assurance and finance. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters.

The audit committee's functions are:

- to monitor and decide on the independence, appointment and terms of engagement of the external auditors;
- to review and monitor financial reporting and the reporting judgments and estimates contained; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

Every year, the audit committee meets with the Group's external auditors to discuss the annual audit plan. The meetings of the audit committee are attended by members of the committee, and where necessary, the external auditors. External auditors made presentations to the audit committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The audit committee subsequently reported its recommendations to the Board for further review and approval. The audit committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process. All external audit partners are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the audit committee.

During the year under review, the audit committee met three times to review and approve, for recommendations made to the Board for approval, the audited financial statements and annual results announcement for the year ended 31 December 2009, the unaudited financial statements and interim results announcement for the six months ended 30 June 2010 and discussed with the management and external auditors the audit planning, accounting policies and practices related to the audit of the Group for the year ended 31 December 2010.

The fees paid/payable in respect of services provided by the Group's external auditors during the year ended 31 December 2010 were as follows:

	2010 **HK$'000**	2009 HK$'000
Audit Service	**1,174**	795
Non-audit services	**374**	310

The audit committee has concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

The Group's annual report for the year ended 31 December 2010 has been reviewed by the audit committee.

Remuneration Committee

The remuneration committee was established in 2005, which is responsible for formulating and making recommendation to the Board: (1) on the Group's policy and structure for all remunerations of the Directors and senior management; and (2) on the establishment of formal and transparent procedures to achieve this.

The majority of the remuneration committee members are INEDs. Members of the remuneration committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. Lin Chun Kuei and Mr. Qian Xu.

Nomination Committee

The nomination committee was established in 2005, which is responsible for nominating and affirming candidates approved by the Board, reviewing the structure and composition of the board on a regular basis, ensuring the competitive position of the organization, evaluating the leadership abilities of Executive and Non-Executive directors and ensuring fair and transparent procedures for the appointment of Directors to the Board.

The majority of the nomination committee members are INEDs. Members of the nomination committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. Lin Chun Kuei and Mr. Qian Xu.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework.

The Board has conducted a review of the effectiveness of the system of internal controls of the Company. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study periodically to review and enhance the internal control system.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") presents their annual report and the audited consolidated financial statements of the Company together with its subsidiaries (the "Group") for the year ended 31 December 2010.

ADOPTION OF CHINESE NAME AS SECONDARY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on 17 June 2010 and approved by the Registrars of Companies of Bermuda on 28 June 2010, the Company has adopted "北京建設(控股)有限公司" as the secondary name of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 43 to the audited consolidated financial statements. On 9 July 2010, the Group acquired the entire equity interests in Zenna Investments Limited together with its subsidiaries (the "Zenna"), which are engaged in the property development in the People's Republic of China (the "Mainland China"). Other than this development, there were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out in the audited consolidated financial statements on pages 27 to 86. The Board does not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 88.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in Notes 16 and 18 respectively to the audited consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options, warrants and convertible bonds during the year are set out in Notes 31, 33 and 30 to the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the audited consolidated statement of changes in equity.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company, calculated in accordance with the Company Act 1981 of Bermuda, had not any reserves available for distribution. In addition, the Company's share premium account, in the amount of HK$554,070,000, can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 65.46% of the total sales for the year and sales to the largest customer included therein amounted to 22.45%. Purchases from the Group's five largest suppliers accounted for less than 54.70% of the total purchases for the year.

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

DIRECTORS

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

Executive Directors:

Mr. Zhou Si *(Chairman)*	(appointed on 1 January 2011)
Mr. Ang Keng Lam *(Vice Chairman)*	(appointed on 1 January 2011)
Mr. Yu Li *(Vice Chairman)*	(appointed on 1 January 2011)
Mr. Qian Xu *(Chief Executive Officer)*	
Mr. Siu Kin Wai	
Mr. Xu Taiyan	(appointed on 1 January 2011)
Mr. Jiang Xianhao	(appointed on 1 January 2011)
Ms. Meng Fang	(appointed on 1 January 2011)
Mr. Yu Luning	(appointed on 1 January 2011)
Mr. Liu Xueheng	(appointed on 1 January 2011)
Mr. Lei Zhengang *(Chairman)*	(resigned on 1 January 2011)

Non-Executive Director:

Mr. Lin Chun Kuei

Independent Non-Executive Directors:

Mr. Goh Gen Cheung	
Mr. Ma Chiu Cheung, Andrew	
Mr. Ng Tang Fai, Ernesto	
Mr. Zhu Wuxiang	(appointed on 1 January 2011)

REPORT OF THE DIRECTORS

DIRECTORS (Continued)

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Zhou Si, Mr. Ang Keng Lam, Mr. Yu Li, Mr. Xu Taiyan, Mr. Jiang Xianhao, Ms. Meng Fang, Mr. Yu Luning, Mr. Lin Xueheng, Mr. Goh Gen Cheung, Mr. Lin Chun Kuei and Mr. Zhu Wuxiang shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Company are set out on pages 4 to 6 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Tai, Ernesto and Mr. Zhu Wuxiang, INEDs of the Company, had entered into service agreement with the Company for a term of three years commencing on 1 May 2009, 1 May 2009, 1 May 2009 and 1 January 2010 respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emolument policy for the employees of the Group is on the basis of their merit, qualifications and competence.

The directors' emoluments are determined by the Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

The Company has adopted a share option scheme as incentives to directors and eligible employees, details of the scheme is set out in Note 33 to the audited consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital (%)
Mr. Lin Chun Kuei	Beneficial Owner	63,051,200	1.78

Long position in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share option schemes" below.

Save as disclosed above, as at 31 December 2010, none of the directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

SHARE OPTION SCHEMES

On 18 March 2010, the Company has adopted new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and Non-Executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the SEHK on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the SEHK on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

The following set out the movements in the share options granted under the Scheme during the year ended 31 December 2010:

				Number of share options			
Name or category of participant	Date of grant	Exercise period	Exercise price	At 1 January 2010	Granted during the year	Exercise during the year	At 31 December 2010
Directors:							
Mr. Lei Zhangang	8.4.2010	8.4.2010-7.4.2020	0.820	–	7,000,000	–	7,000,000
Mr. Qian Xu	8.4.2010	8.4.2010-7.4.2020	0.820	–	6,000,000	–	6,000,000
Mr. Siu Kin Wai	8.4.2010	8.4.2010-7.4.2020	0.820	–	5,000,000	–	5,000,000
Mr. Lin Chun Kuei	11.5.2010	11.5.2010-10.5.2020	0.820	–	5,000,000	–	5,000,000
Mr. Goh Gen Cheung	27.4.2010	27.4.2010-26.4.2020	0.808	–	2,000,000	–	2,000,000
Mr. Ma Chiu Cheung, Andrew	27.4.2010	27.4.2010-26.4.2020	0.808	–	2,000,000	–	2,000,000
Mr. Ng Tang Fai, Ernesto	27.4.2010	27.4.2010-26.4.2020	0.808	–	2,000,000	–	2,000,000
				–	29,000,000	–	29,000,000
Employees:	8.4.2010	8.4.2010-7.4.2020	0.820	–	58,500,000	–	58,500,000
	11.5.2010	11.5.2010-10.5.2020	0.820	–	5,200,000	–	5,200,000
	17.6.2010	17.6.2010-16.6.2020	0.820	–	1,400,000	–	1,400,000
					65,100,000		65,100,000
Consultants:	8.4.2010	8.4.2010-7.4.2020	0.820	–	208,600,000	–	208,600,000
	11.5.2010	11.5.2010-10.5.2020	0.820	–	2,000,000	–	2,000,000
	17.6.2010	17.6.2010-16.6.2020	0.820	–	1,000,000	–	1,000,000
					211,600,000		211,600,000
				–	305,700,000	–	305,700,000

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and chief executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 December 2010, the following interests and short positions of 5% or more of the issued share capital and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares:

		Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest			
Name	Notes	**directly beneficially owned**	**through a controlled corporation**	**directly beneficially owned**	**through a controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital** (%)
Brilliant Bright Holdings Limited	(a)	1,433,362,500	–	–	–	1,433,362,500	40.53%
Beijing Holdings Limited	(b)	–	1,433,362,500	–	–	1,433,362,500	40.53%
Beijing Enterprises Group (BVI) Company Limited	(c)	–	–	2,307,692,307	–	2,307,692,307	65.25%
Beijing Enterprises Group Company Limited	(d)	–	1,433,362,500	–	2,307,692,307	3,741,054,807	105.78%
Thular Limited	(e)	400,000,000	–	–	–	400,000,000	11.31%
Kerry Holdings Limited	(e)	–	400,000,000	–	–	400,000,000	11.31%
Kerry Group Limited	(e)	–	400,000,000	–	–	400,000,000	11.31%

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,433,362,500 shares.

(b) Beijing Holdings Limited ("BHL") is deemed to be interested in the 1,433,362,500 shares by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI") holds 2,307,692,307 underlying shares though it's ownerships in the HK$1,500,000,000 convertible bonds of the Company which are convertible at HK$0.65 per share.

(d) The interest disclosed represents the shares owned by BHL as detail in note (b) and the underlying shares owned by BE Group BVI as detail in note (c). BHL and BE Group BVI is held directly as to 100% by Beijing Enterprises Group Company Limited ("BE Group"). Accordingly, BE Group is deemed to be interested in the said shares and underlying shares.

(e) Thular Limited ("Thular") (formerly known as "Timekey Limited") is the beneficial owner of 400,000,000 shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2010, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the year are set out in Note 40 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in Note 44 to the audited consolidated financial statements.

AUDITORS

Deloitte Touche Tohmatsu will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the year ended 31 December 2010 were approved by the Board on 31 March 2011.

ON BEHALF OF THE BOARD
Zhou Si
Chairman

Hong Kong
31 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF BEIJING PROPERTIES (HOLDINGS) LIMITED
北京建設(控股)有限公司
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 86, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 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 judgment, 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2010, and of its 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	5	**139,387**	155,526
Cost of sales		**(114,769)**	(130,980)
Gross profit		**24,618**	24,546
Other income	7	**14,497**	14,348
Distribution and selling expenses		**(32,027)**	(35,088)
Administrative expenses		**(92,257)**	(65,424)
Other gains and losses	8	**(67,422)**	42,219
Finance costs	9	**(2,541)**	(3,717)
Loss before tax		**(155,132)**	(23,116)
Income tax (expense) credit	10	**(262)**	648
Loss for the year	11	**(155,394)**	(22,468)
Other comprehensive income (loss) for the year, net of income tax			
Exchange difference arising on translation of foreign operations:			
– Increase for the year		**19,533**	258
– Reclassification adjustment on disposal of subsidiaries		**–**	2,749
Loss on revaluation of properties		**–**	(2,725)
Other comprehensive income for the year, net of income tax		**19,533**	282
Total comprehensive loss for the year		**(135,861)**	(22,186)
Loss attributable to:			
Owners of the Company		**(153,765)**	(22,468)
Non-controlling interests		**(1,629)**	–
		(155,394)	(22,468)
Total comprehensive loss attributable to:			
Owners of the Company		**(135,739)**	(22,186)
Non-controlling interests		**(122)**	–
		(135,861)	(22,186)
		HK cents	HK cents
Loss per share	15		
– Basic		**(4.5)**	(1.0)
– Diluted		**(4.5)**	(1.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	16	**4,496**	8,782
Prepaid lease payments	17	**–**	3,204
Investment properties	18	**500**	350
Available-for-sale financial assets	19	**–**	–
Loan receivable	20	**56,036**	63,117
Deposit paid for property, plant and equipment		**–**	1,459
		61,032	76,912
Current assets			
Inventories	22	**3,515**	2,433
Loan receivable	20	**11,797**	5,738
Trade and other receivables	23	**125,921**	32,804
Amount due from a related party	24	**11,207**	91
Properties under development for sale	25	**592,237**	–
Prepaid lease payments – current portion	17	**–**	74
Prepaid income tax on sale of properties		**24,692**	132
Pledged deposits	26	**–**	879
Bank balances and cash	27	**3,303,855**	522,251
		4,073,224	564,402
Current liabilities			
Trade and other payables	28	**68,306**	51,065
Deposits received on sale of properties		**1,382,383**	–
Amounts due to related parties	24	**610**	455
Bank loans	29	**–**	10,274
Convertible bonds – liability component	30	**1,339,877**	–
Income tax payables		**17**	17
		2,791,193	61,811
Net current assets		**1,282,031**	502,591
Total assets less current liabilities		**1,343,063**	579,503

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	31	**353,656**	323,920
Reserves		**937,212**	255,021
Equity attributable to owners of the Company		**1,290,868**	578,941
Non-controlling interests		**51,633**	–
Total equity		**1,342,501**	578,941
Non-current liabilities			
Deferred tax liabilities	32	**562**	562
		1,343,063	579,503

The consolidated financial statements on pages 27 to 86 were approved and authorised for issue by the Board of Directors on 31 March 2011 and are signed on its behalf by:

Qian Xu	**Siu Kin Wai**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Equity attributable to the owners of the Company												
	Share capital HK$'000 (Note 31)	Share premium HK$'000	Special reserve HK$'000 (note a)	Share options reserve HK$'000 (Note 33)	Warrant reserve HK$'000 (Note 31)	Exchange reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000 (note b)	Convertible bonds – equity component HK$'000 (Note 30)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	99,920	172,582	18,528	–	–	18,489	35,570	23,786	–	(284,602)	84,273	–	84,273
Loss for the year	–	–	–	–	–	–	–	–	–	(22,468)	(22,468)	–	(22,468)
Exchange difference arising on translation of foreign operations													
– Increase for the year	–	–	–	–	–	258	–	–	–	–	258	–	258
– Reclassification adjustment on disposal of a subsidiary	–	–	–	–	–	2,749	–	–	–	–	2,749	–	2,749
Loss on revaluation of properties	–	–	–	–	–	–	(2,725)	–	–	–	(2,725)	–	(2,725)
Other comprehensive income (loss) for the year	–	–	–	–	–	3,007	(2,725)	–	–	–	282	–	282
Total comprehensive income (loss) for the year	–	–	–	–	–	3,007	(2,725)	–	–	(22,468)	(22,186)	–	(22,186)
Issue of ordinary shares	224,000	301,000	–	–	–	–	–	–	–	–	525,000	–	525,000
Issue of warrants	–	–	–	–	2,000	–	–	–	–	–	2,000	–	2,000
Transaction costs attributable to issue of ordinary shares	–	(10,146)	–	–	–	–	–	–	–	–	(10,146)	–	(10,146)
Transfer on disposal of buildings at valuation	–	–	–	–	–	–	(1,418)	–	–	1,418	–	–	–
Transfer on disposal of a subsidiary	–	–	–	–	–	–	(31,427)	(3,296)	–	34,723	–	–	–
At 31 December 2009	323,920	463,436	18,528	–	2,000	21,496	–	20,490	–	(270,929)	578,941	–	578,941
Loss for the year	–	–	–	–	–	–	–	–	–	(153,765)	(153,765)	(1,629)	(155,394)
Other comprehensive income for the year, representing exchange difference arising on translation of foreign operations	–	–	–	–	–	18,026	–	–	–	–	18,026	1,507	19,533
Total comprehensive income (loss) for the year	–	–	–	–	–	18,026	–	–	–	(153,765)	(135,739)	(122)	(135,861)
Acquisition of assets and liabilities through acquisition of subsidiaries (Notes 31(c) and 37)	8,336	1,082	–	–	–	–	–	–	–	–	9,418	30,156	39,574
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	21,599	21,599
Issue of shares upon exercise of unlisted warrants (Note 31(b))	20,000	82,000	–	–	(2,000)	–	–	–	–	–	100,000	–	100,000
Recognition of equity component of convertible bonds (Note 30)	–	–	–	–	–	–	–	–	645,662	–	645,662	–	645,662
Issue of share upon conversion of convertible bonds (Note 31(d))	1,400	7,552	–	–	–	–	–	–	(2,899)	–	6,053	–	6,053
Recognition of equity-settled share base payments (Note 33)	–	–	–	86,533	–	–	–	–	–	–	86,533	–	86,533
At 31 December 2010	**353,656**	**554,070**	**18,528**	**86,533**	**–**	**39,522**	**–**	**20,490**	**642,763**	**(424,694)**	**1,290,868**	**51,633**	**1,342,501**

Notes:

a) The Group's special reserve represents the difference between the nominal value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued pursuant to the Group's reorganization in 1997.

b) Pursuant to the relevant laws and regulations in the Mainland China, all the Company's subsidiaries established in Mainland China are required to transfer 10% of their profit after taxation calculated under accounting rules and regulations of Mainland China to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve fund can only be used to offset previous years' losses or to increase the capital of respective companies, provided that the balance after such issue is not less than 25% of its registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Loss before tax	**(155,132)**	(23,116)
Adjustments for:		
Fair value gain on investment properties	**(150)**	–
Depreciation of property, plant and equipment	**3,045**	17,345
Release of prepaid lease payments	**27**	759
Amortisation and impairment losses of intangible assets	**–**	822
Impairment losses on unlisted equity securities	**–**	6,967
Impairment losses on property, plant and equipment	**–**	2,663
Impairment losses (reversed) recognised on trade and other receivables	**(864)**	4,602
Impairment losses on loan receivable	**3,945**	–
Gain (Loss) on disposal of property, plant and equipment	**(2,686)**	13,808
Loss on disposal of an investment property	**–**	2,814
Loss on disposal of prepaid lease payments	**–**	1,737
Decrease in revaluation of buildings held for own use	**–**	11,959
Equity-settled share option expenses	**86,533**	–
Gain on disposal of subsidiaries, net	**–**	(100,466)
Loss on changes in fair value of financial asset designated at fair value through profit or loss	**–**	12,497
Bank interest income	**(11,082)**	(688)
Interest income on loan receivable	**–**	(997)
Finance costs	**2,541**	3,717
Operating cash flows before movements in working capital	**(73,823)**	(45,577)
(Increase) decrease in inventories	**(1,082)**	15,500
(Increase) decrease in trade and other receivables	**(92,253)**	10,657
Increase in property under development for sale	**(592,237)**	–
Increase in trade and other payables	**56,815**	2,320
Increase in deposits received on sale of properties	**1,382,383**	–
Cash from (used in) operating activities	**679,803**	(17,100)
Income tax paid	**(24,822)**	(158)
Net cash from (used in) operating activities	**654,981**	(17,258)
Investing activities		
Purchase of property, plant and equipment	**(4,359)**	(15,141)
Deposit paid for property, plant and equipment	**–**	(1,459)
Additions of prepaid lease payments	**–**	(3,584)
Additions of investment properties	**–**	(3,535)
Proceeds from disposal of property, plant and equipment and prepaid lease payments	**13,326**	31,440
Proceeds from disposal of an investment property	**–**	8,785
Proceeds from disposal of prepaid lease payments	**–**	16,136
Decrease in pledged deposits	**879**	10,349
Net cash outflow on disposal of subsidiaries (Note 36)	**–**	(41,702)
Repayment from a related company	**91**	–
Advance to a related company	**(11,207)**	(91)
Interest received	**11,082**	688
Net cash from investing activities	**9,812**	1,886

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK$'000	2009 HK$'000
Financing activities		
Proceeds from issues of new ordinary shares and warrants	–	527,000
Proceeds from issues of convertible bonds	**1,999,850**	–
Transaction cost on issues of convertible bonds	**(10,333)**	–
Proceed from exercised of unlisted warrants	**100,000**	–
Transaction costs on issue of new ordinary shares and warrants	–	(10,146)
Contribution from non-controlling shareholders of a subsidiary	**21,599**	–
New bank loans raised	**3,881**	162,445
Repayment of bank loans	**(14,166)**	(84,786)
Repayment to other creditor	–	(20,000)
Repayment to related parties	**(211,527)**	(50,000)
Advance from related parties	**211,682**	455
Interest paid	**(466)**	(3,717)
Net cash from financing activities	**2,100,520**	521,251
Net increase in cash and cash equivalents	**2,765,313**	505,879
Cash and cash equivalents at beginning of the year	**522,251**	17,311
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**16,291**	(939)
Cash and cash equivalents at end of the year	**3,303,855**	522,251
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**3,303,855**	522,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. GENERAL

Beijing Properties (Holdings) Limited is an exempted company incorporated in the Bermuda under the Companies Law and its shares are listed on the Main Board of the SEHK. The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Company's Annual Report.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 17 June 2010 and approved by the Registrars of Companies of Bermuda on 28 June 2010, the Company has adopted "北京建設(控股)有限公司" as the Chinese name of the Company.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 43. On 9 July 2010, the Group acquired the assets and liabilities of a property development project in Mainland China through acquisition of the entire equity interests in Zenna. There were no other significant changes in the nature of the Group's principal activities during the year.

The functional currency of the Company was originally Hong Kong dollar ("HKD"). On completion of the acquisition of Zenna, the Board of Directors (the "Board") considers that the primary economic environment has been substantial changed as most of the Group future revenue will be generated from the Mainland China. In particular, the properties held by Zenna were all sold out at 31 December 2010 and the revenue from the properties sold will be recognized when the risk and rewards of these properties are passed to the buyers. Accordingly, the Board has determined the functional currency of the Company will be changed from HKD to Renminbi ("RMB") on 9 July 2010. The effect of a change in functional currency is accounted for prospectively from the date of change in functional currency.

The presentation currency is remained in HKD as the Board currently controls and monitors the performance of the Group using HKD.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for 2010 financial year end. The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[7]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Parties Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

HKFRS 9 Financial Instruments as issued in November 2009 introduces new requirements for the classification and measurement of financial assets and HKFRS 9 Financial Instruments as revised in November 2010 adds requirements for financial liabilities and for derecognition.

HKFRS 9 will be effective from 1 January 2013, with earlier application permitted.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Board anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date 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.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes (other than buildings and construction in progress as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings held for use in production or supply of goods or services, or for administrative purposes, are initially recognised at cost. Subsequent to initial recognition, buildings are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised to profit or loss to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as properties under development intended to be held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Properties under development for sale

Properties under development which are intended to be held for sale are shown as current assets, included the related prepaid land lease payment and finance charges, and carried at the lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and "loans and receivables".

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loan and receivables (including trade and other receivables, loan receivable, amount due from a related company, pledged deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties, bank loans and liability component of the convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated between the equity and liability components of the convertible bonds. The transaction costs allocated to the liability component of the convertible bonds are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method. Transaction costs allocated to the equity component of the convertible bonds are included in the reserve (convertible bond-equity component).

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from sale of other goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Share options granted by the Company to employees and consultants of the Group in an equity-settled share-based payment arrangement

For grants of share options to the employees that vest immediately at the grant date, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed immediately to profit or loss, with a corresponding increase in equity (share options reserve).

For grants of share options to the consultants that vest immediately at the grant date, the fair value of the share options granted are measured by reference to the fair value of the service received. When the fair value of services received cannot be measure reliably, the fair value of the share options granted is determined by reference to the fair value of share options granted at the grant date and is expensed immediately to profit or loss, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of loan receivable and trade and other receivables

The Group makes impairment of loan receivable and trade and other receivables based on an assessment of the recoverability of receivables. Impairment loss is recognised on loan receivable and trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the receivable is less than the carrying amount of the receivable. The identification of impairment loss requires the use of judgments and estimates. Where the expectation on the recoverability of loan receivable and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loan receivable and trade and other receivables and the impairment in the periods in which such estimate has been changed. At 31 December 2010, the carrying amount of loan receivable after deducting the impairment recognised is approximately HK$67,833,000 (2009: approximately HK$68,855,000) and the trade and other receivable after deducting the impairment recognised is approximately HK$32,280,000 (2009: approximately HK$28,471,000). Details of movement in impairment on trade and other receivables are set out in Note 23.

5. REVENUE

Revenue represents the sales value of the goods supplied to customers, after deducting sales related taxes and sales returns, from our home products business.

6. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The chief operating decision makers, the Company's Chief Executive Officer and Chief Financial Officer, reviewed the monthly consolidated financial statements prepared in accordance with HKFRSs for the purpose of allocating resources and assessment of the Group's performance. Accordingly, the Company considered that there is only one operating segment with the segment revenue, segment results, segment assets and liabilities equal the revenue, loss for the year and total assets and liabilities as reported in the consolidated financial statements. The Group operates in three principal geographical areas – Asia Pacific, United States of America and Europe.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below:

	Revenue		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia Pacific	**25,505**	16,865	**59,959**	75,130
United States of America	**113,823**	138,323	**1,073**	1,782
Europe	**59**	338	**–**	–
Total	**139,387**	155,526	**61,032**	76,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

6. SEGMENT INFORMATION (Continued)

Information about major customers

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

	2010 HK$'000	2009 HK$'000
Customer A	**31,290**	26,598
Customer B	**23,138**	18,374
Customer C	**21,283**	18,467
Customer D (Note)	**N/A**	18,606

Note: The revenue for the year ended 31 December 2010 did not contribute over 10% of the total sales of the Group.

Information about major products

After the acquisition of Zenna as set out in the Note 37, the Group's major operating activity was property development in the Mainland China during the year. All properties under development were pre-sold during the year. At 31 December 2010, deposits received on sale of properties from customers amounting to approximately HK$1,382,383,000. In the opinion of the Board, these deposits will be recognized as the Group's revenue for the year ending 31 December 2011 if the completed properties are delivered in that year.

7. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Bank interest income	**11,082**	688
Interest income on loan receivable	**–**	997
Commission income	**173**	31
Gross rental income from investment property (Note)	**135**	8,514
Recovery of other receivables written off in prior years	**1,729**	–
Others	**1,378**	4,118
	14,497	14,348

Note: Direct operating expenses arising from investment properties that generated rental income during the year is HK$1,000 (2009: HK$296,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

8. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Share-based payments for consultancy services (Note)	(56,926)	–
Impairment losses (recognised) reversed on:		
– Property, plant and equipment	–	(2,663)
– Intangible assets	–	(611)
– Unlisted equity securities	–	(6,967)
– Trade and other receivable	864	(4,602)
– Loan receivable	(3,945)	–
Increase (decrease) in fair value on:		
– Buildings held for own use	–	(11,959)
– Investment properties	150	–
– Financial assets designated at fair value through profit and loss	–	(12,497)
Gain (loss) on disposal of:		
– Subsidiaries (Note 36)	–	100,466
– Property, plant and equipment	2,686	(13,808)
– Investment properties	–	(2,814)
– Prepaid lease payments	–	(1,737)
Net foreign exchange losses	(10,251)	(589)
	(67,422)	42,219

Note: The amount represents the total equity-settled share option expenses for fair values of share options granted to various consultants under the share option scheme of the Company adopted on 18 March 2010 during the year ended 31 December 2010. Details of which are set out in Note 33.

The consultants are senior management of controlling shareholder of a substantial shareholder of the Company. They provide consultancy service with respect to business development of the Group in Mainland China. The amount represents the fair values of share options granted at the grant date as the fair value of the service received which cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

9. FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Finance costs included:		
Interests on bank loans and overdrafts wholly repayable within five years	**466**	3,717
Interest on convertible bonds – liability component	**2,075**	–
Total finance costs	**2,541**	3,717

10. INCOME TAX EXPENSE (CREDIT)

	2010 **HK$'000**	2009 HK$'000
The tax charge (credit) comprises:		
Current tax:		
Mainland China Enterprise Income Tax	**191**	72
Under (over) provision in prior years:		
Hong Kong	**–**	(783)
Mainland China Enterprise Income Tax	**43**	–
Overseas	**28**	63
	71	(720)
	262	(648)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

10. INCOME TAX EXPENSE (CREDIT) (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made as the group entities did not generate any assessable profits arising in Hong Kong during both years.

Mainland China's Enterprise Income Tax of the Group mainly comprises income tax of the subsidiaries of the Company which are recognised based on Mainland China Enterprise Income Tax rate of 25% (2009: 25%).

Taxes on profits assessable elsewhere have been calculated at the applicable tax rates on the estimated assessable profit for the year based on existing legislation, interpretations and practices in respect thereof. No provision for overseas tax has been made as the group entities in jurisdiction other than the Mainland China and Hong Kong incurred tax losses in 2010 (2009: Nil).

The tax charge (credit) for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2010 **HK$'000**	2009 HK$'000
Loss before tax	**(155,132)**	(23,116)
Tax at the Hong Kong Income Tax Rate of 16.5% (2009: 16.5%)	**(25,597)**	(3,814)
Tax effect of income not taxable for tax purpose	**(204)**	(47,355)
Tax effect of expenses not deductible for tax purpose	**14,600**	43,883
Tax effect of tax losses not recognised	**12,112**	5,951
Under (over) provision in prior year	**71**	(720)
Effect of different in income tax rate of group entities	**371**	1,407
Utilisation of tax losses previously not recognised	**(1,091)**	–
Income tax expense (credit) for the year	**262**	(648)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

11. LOSS FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Loss for the year has been arrived at after charging:		
Auditors' remuneration	**1,174**	795
Depreciation and amortisation:		
– property, plant and equipment	**3,045**	17,345
– intangible assets	**–**	211
Release of prepaid lease payments	**27**	759
Minimum lease payments under operating leases in respect of land and buildings	**3,551**	4,136
Cost of inventories recognised as an expenses	**114,769**	130,980
Staff costs (including directors' remuneration (Note 12)):		
Salaries, wages and benefits	**46,920**	45,458
Equity-settled share option expenses attributable to staff	**29,607**	–
Contributions to retirement benefit schemes	**1,059**	182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

12. REMUNERATION OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

Emoluments paid to the Directors for the year were as follows:

	2010				
Name of director	Fee	Salaries and allowance	Contribution to retirement benefit scheme	Share based payment	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Lei Zhengang	120	–	–	3,090	3,210
Qian Xu	120	426	–	2,649	3,195
Siu Kin Wai	120	–	–	2,207	2,327
Non-executive director:					
Lin Chun Kuei	–	3,765	12	1,873	5,650
Independent non-executive directors:					
Ng Tang Fai, Ernesto	140	–	–	853	993
Goh Gen Cheung	140	–	–	853	993
Ma Chiu Cheung Andrew	140	–	–	853	993
	780	4,191	12	12,378	17,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

12. REMUNERATION OF DIRECTORS AND EMPLOYEES (Continued)

(a) Directors' emoluments (Continued)

	2009			
Name of director	Fee HK$'000	Salaries and allowance HK$'000	Contribution to retirement benefit scheme HK$'000	Total emoluments HK$'000
Executive directors:				
Lei Zhengang (note a)	55	–	–	55
Qian Xu (note a)	55	–	–	55
Siu Kin Wai (note a)	55	–	–	55
Li Chien Kuan (note c)	–	618	3	621
Lin Chun Fu (note d)	–	624	3	627
Non-executive directors:				
Lin Chun Kuei (note e)	–	1,619	12	1,631
Andree Halim (note b)	–	–	–	–
Ng Kin Nam (note b)	–	–	–	–
Independent non-executive directors:				
Ng Tang Fai, Ernesto	180	–	–	180
Goh Gen Cheung	180	–	–	180
Ma Chiu Cheung Andrew	180	–	–	180
	705	2,861	18	3,584

Notes:

(a) Appointed on 17 July 2009
(b) Resigned on 17 July 2009
(c) Resigned on 17 August 2009
(d) Resigned on 22 September 2009
(e) Re-designated as non-executive director on 17 July 2009

The amounts disclosed above include directors' fees of HK$420,000 (2009: HK$540,000) payable to independent non-executive directors. None of the directors waived any emoluments during the year (2009: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

12. REMUNERATION OF DIRECTORS AND EMPLOYEES (Continued)

(b) Five highest paid individuals

Of the five highest paid individuals in the Group, one (2009: three) is director whose emoluments are included in note (a) above. The aggregated emoluments in respect of the other four (2009: two) individuals are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries, allowance and other benefits	**3,548**	1,872
Contributions to retirement benefit scheme	**34**	–
Discretionary bonus	**4,254**	–
	7,836	1,872

The emoluments of the four (31 December 2009: two) individuals with the highest emoluments are within the following band:

	2010 **No. of** **employees**	2009 No. of employees
HK$2,000,001 – HK$2,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**2**	–
Nil – HK$1,000,000	**–**	2
	4	2

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company included a loss of HK$104,780,000 (2009: HK$17,316,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2010 (2009: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	HK$'000
Loss		
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(153,765)**	(22,468)

	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,426,308**	2,170,863

The convertible bonds and share options issued by the Company during the year ended 31 December 2010 as set out in Notes 30 and 33 respectively are anti-dilutive for the purpose of calculation of diluted loss per share.

The warrants issued by the Company during the year ended 31 December 2009 as set out in Note 31 are anti-dilutive for the purpose of calculation of diluted loss per share for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
COST/VALUATION							
At 1 January 2009	104,291	26,090	29,147	23,194	30,879	45,032	258,633
Exchange realignment	711	113	210	186	144	348	1,712
Additions	–	308	19	305	196	14,313	15,141
Transfer to investment property	(175)	–	–	–	–	–	(175)
Transfer	53,880	–	–	–	–	(53,880)	–
Disposals	(37,451)	(817)	(15,987)	(8,177)	(1,436)	–	(63,868)
Disposal of subsidiaries (Note 36)	(94,877)	(21,141)	(2,294)	(343)	(29,150)	(5,813)	(153,618)
Adjustment on valuation	(17,915)	–	–	–	–	–	(17,915)
At 31 December 2009	8,464	4,553	11,095	15,165	633	–	39,910
Exchange realignment	166	53	158	478	23	–	878
Additions	–	1,572	1,358	2,888	–	–	5,818
Disposals	(8,630)	(311)	(4,494)	(2,900)	–	–	(16,335)
At 31 December 2010	**–**	**5,867**	**8,117**	**15,631**	**656**	**–**	**30,271**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2009	24,084	24,070	19,739	10,357	30,708	–	108,958
Exchange realignment	239	102	134	81	143	–	699
Provided for the year	6,789	1,275	1,209	7,953	119	–	17,345
Eliminated on disposals	(6,701)	(691)	(8,503)	(5,994)	(1,436)	–	(23,325)
Disposal of subsidiaries (Note 36)	(19,653)	(21,141)	(1,991)	(46)	(29,150)	–	(71,981)
Impairment	–	478	–	2,054	131	–	2,663
Adjustment on valuation	(3,231)	–	–	–	–	–	(3,231)
At 31 December 2009	1,527	4,093	10,588	14,405	515	–	31,128
Exchange realignment	73	17	98	347	13	–	548
Provided for the year	357	942	729	1,017	–	–	3,045
Eliminated on disposals	(1,957)	(291)	(4,046)	(2,652)	–	–	(8,946)
At 31 December 2010	**–**	**4,761**	**7,369**	**13,117**	**528**	**–**	**25,775**
CARRYING VALUES							
At 31 December 2010	**–**	**1,106**	**748**	**2,514**	**128**	**–**	**4,496**
At 31 December 2009	6,937	460	507	760	118	–	8,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis as follows:

Buildings held for own use	Over the shorter of 40 years or the term of the leases
Leasehold improvements	Over the shorter of 10 years or the term of the leases
Plant and machinery	10 years
Furniture, fixtures, equipment and motor vehicles	5 years
Moulds	2 years

During the year ended 31 December 2009, the Board conducted a review of the Group's manufacturing assets and determined that certain property, plant and equipment were impaired due to unsatisfactory performance of the existing business of the Group. Accordingly, impairment losses of HK$2,663,000 have been recognised. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

The Group has changed its intention in holding a carpark space from own use to rental purpose during the year ended 31 December 2009, the carrying amount of the carpark space amounting to HK$175,000 has been transferred to investment properties at the fair value as at date of transfer, which is approximately to the carrying amount at the date of transfer.

The Group revalued its buildings at 31 December 2009, resulting in a revaluation deficit of HK$14,684,000 of which HK$2,725,000 has been debited to other comprehensive income and HK$11,959,000 has been charged to profit or loss. The valuation has been arrived at reference to valuation carried out by Asset Appraisal Limited ("Asset Appraisal"), an independent firm of qualified professional valuers. The valuation as at 31 December 2009 was arrived at (i) their open market value by reference to observable prices in recent market transactions in comparable properties for buildings in Hong Kong and (ii) their depreciated replacement costs for buildings in Mainland China with recent experience in the location and category of property being valued.

17. PREPAID LEASE PAYMENTS

	2010 **HK$'000**	2009 HK$'000
Operating leases prepayment in respect of:		
Land in the Mainland China under medium term land use rights	–	3,278
Analysed for reporting purposes as:		
Non-current portion	–	3,204
Current portion	–	74
	–	3,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

17. PREPAID LEASE PAYMENTS (Continued)

The prepaid lease payments and the corresponding building element included in property, plant and equipment of a Company's subsidiary in the Mainland China were disposed in 2010 with a consideration of HK$15,566,000, of which the net value were respectively HK$3,300,000 and HK$6,017,000 at the date of disposal.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2009	77,442
Additions	3,535
Transfer from property, plant and equipment (Note 16)	175
Transfer from prepaid lease payments	175
Disposal of a subsidiary (Note 36)	(69,377)
Disposal	(11,600)
At 31 December 2009 and 1 January 2010	350
Increase in fair value credited to profit or loss	150
At 31 December 2010	**500**

At the end of the reporting period, the fair value of investment properties comprises properties under medium lease located in Hong Kong.

The investment properties are leased to third parties under operating leases for both years.

The fair value as at 31 December 2010 has been arrived at reference to valuation carried out by Asset Appraisal. The valuation as at 31 December 2010 was arrived at their open market value by reference to observable prices in recent market transactions in comparable properties in Hong Kong.

The fair value as at 31 December 2009 has been determined by the Board and no valuation has been carried out by independent qualified professional valuer. The valuation performed by the Board was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 **HK$'000**	2009 HK$'000
Unlisted equity securities, at cost	**8,420**	8,420
Less: impairment	**(8,420)**	(8,420)
	–	–

The above unlisted investment represents investment cost for the 18.1% equity interest in Heissner AG, which is incorporated in Germany and engaged in distribution of gardening and water gardening products and was fully impaired in the previous reporting periods.

20. LOAN RECEIVABLE

	2010 **HK$'000**	2009 HK$'000
Amount repayable in September:		
2010	**–**	5,655
2011	**11,797**	5,655
2012	**5,899**	5,655
2013	**17,695**	16,965
2014	**17,695**	16,964
2015	**17,695**	16,964
Accrued interest receivable	**997**	997
Total loan receivable	**71,778**	68,855
Less: Impairment	**(3,945)**	–
	67,833	68,855
Less: Amount repayable within one year	**(11,797)**	(5,738)
Amount repayable after one year	**56,036**	63,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

20. LOAN RECEIVABLE (Continued)

The balance represents consideration receivable in relation to the Group's disposal of its 100% equity interest in Peaktop Technologies Limited ("PTL"), a former subsidiary of the Company, to an independent third party (the "Acquirer") in September 2009 as set out in Note 36. The total receivable amount is RMB60,000,000 (equivalent to HK$70,781,000 (2009: HK$67,858,000)). The amount is interest-bearing at the prevailing standard lending rate specified by People's Bank of China and secured by the 25% equity interest of PTL.

The amount was originally repayable by six annual and unequal instalments with the first instalment due in September 2010. The Acquirer did not repay the first instalment on the due date of 21 September 2010. The Group and the Acquirer have agreed to enter into the supplemental agreement on 10 December 2010 under which the first instalment will be repayable on 21 May 2011 together with the second instalment and the rest of repayment terms remain unchanged.

The Board has carried out a review of the recoverable amount of loan receivable by reference to the fair value of 25% equity interest of PTL. Valuation of the 25% equity interest of PTL has been carried out by Asset Appraisal, an independent firm of qualified professional valuers. The Board is of the opinion that an impairment loss of HK$3,945,000 should be recognised in profit or loss for the year ended 31 December 2010.

As recoverability of the receivables is uncertain, the Group has not recognized the corresponding interest income during the year ended 31 December 2010.

21. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	2010 **HK$'000**	2009 HK$'000
Unlisted debt investments, at fair value:		
At beginning of the year	–	12,497
Change in fair value	–	(12,497)
At end of the year	–	–

The balance represented consideration receivable in relation to the Group's disposal of its 81.0% equity interest in Heissner AG (the "Sale Shares"), a former subsidiary of the Company, to an independent third party in August 2006. The consideration amounted to Euro 2 million, which was subject to adjustment to a final value between zero to Euro 2.5 million if the average EBIT of Heissner AG and its subsidiaries ("Heissner Group") for the five years ended 31 December 2010 would be Euro 7.3 million or above. The final adjusted consideration was determined to be zero.

Although the Group may demand the retransfer of the Sale Shares back to the Group if the consideration is zero., the Group has not demanded for the retransfer of the Sale Shares as additional funds will be required to support Heissner Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

21. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

In determining the fair value of the financial assets designated at FVTPL at 31 December 2009, the Board has considered: (i) the valuation performed by the independent firm of valuers which indicated the fair value at 31 December 2009 should be insignificant; and (ii) the historical and the projected performance of Heissner Group. The Board has also considered whether the Group should exercise the option to gain the control back from the existing owner by transfer back the shares of Heissner AG. In view of the possible additional funds to support Heissner Group as a going concern and considered the possible net deficit position resulting from impairment of non-current assets arising from the unsatisfactory performance of Heissner Group, the Board determined that the fair value of these financial assets designated at FVTPL to be zero at 31 December 2009 and a fair value decrease of HK$12,497,000 was recognised in profit and loss during the prior year.

22. INVENTORIES

	2010 HK$'000	2009 HK$'000
Raw material	**1,623**	1,860
Finished goods	**1,892**	573
	3,515	2,433

23. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade and bills receivables	**27,826**	24,268
Less: impairment	**(452)**	(644)
	27,374	23,624
Deposits	**886**	1,089
Prepayment to suppliers	**4,946**	406
Other prepayment	**1,619**	1,329
Prepaid tax in Mainland China other than income tax	**86,190**	1,509
Other receivables	**4,906**	4,847
	125,921	32,804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

23. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period of 14 to 60 days to its trade customers, except for certain customers with credit period more than 60 days. The aged analysis of trade and bills receivables, net of impairment, presented on due date basis at the end of the reporting period is as follows:

	2010 **HK$'000**	2009 HK$'000
Within credit period	**27,170**	23,412
Overdue within:		
– one month	**4**	95
– 1 to 3 months	**118**	52
– 3 to 6 months	**82**	65
	27,374	23,624

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. The Board is of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired as at the end of the reporting period is good as the repayment history of the debtors is satisfactory.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$204,000 (2009: HK$212,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The Group has fully provided for the receivables which were fall due over six months because historical experience is that these receivables that are past due beyond six months are generally not recoverable. No impairment has been made to the remaining receivables past due as the Group is satisfied with the subsequent settlements from the debtors and the credit quality of these customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

23. TRADE AND OTHER RECEIVABLES (Continued)

Movements in the impairment on trade receivables

	2010 **HK$'000**	2009 HK$'000
Balance at beginning of the year	**644**	150
(Reversal of impairment loss) impairment loss	**(192)**	499
Exchange realignment	**–**	(5)
Balance at end of the year	**452**	644

All the trade receivables are assessed to be impaired individually and they are assessed for impairment based on either the subsequent settlement or credit history of the customers. The Group does not hold any collateral over these balances.

Movements in the impairment on other receivables

	2010 **HK$'000**	2009 HK$'000
Balance at beginning of the year	**4,103**	–
(Reversal of impairment loss) impairment loss	**(672)**	4,103
Exchange realignment	**116**	–
Balance at end of the year	**3,547**	4,103

All other receivables are assessed to be impaired individually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

24. AMOUNT DUE FROM/TO RELATED PARTIES

Particulars of amounts due from related parties are as follows:

Name of related party	2010 HK$'000	2009 HK$'000
北京京泰投資管理中心	**11,207**	–
Beijing Gas Enterprise Limited ("Beijing Gas")	**–**	91
	11,207	91

北京京泰投資管理中心 is a subsidiary of Beijing Holdings Limited ("BHL"), a substantial shareholder of the Company. Beijing Gas is a fellow subsidiary of BHL.

Particulars of amounts due to related parties are as follows:

Name of related party	2010 HK$'000	2009 HK$'000
BHL	**–**	455
Director of the Company	**250**	–
A director of a substantial shareholder of the Company	**360**	–
	610	455

The balances with the related parties are unsecured, interest-free and repayable within one year.

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2010 HK$'000	2009 HK$'000
At cost		
Additions through acquisition of subsidiaries (Note 37)	**342,900**	–
Additions during the year	**249,337**	–
	592,237	–

The properties under development are located in the Mainland China and the corresponding leasehold land is held under medium-term lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

26. PLEDGED DEPOSITS

At 31 December 2009, a bank deposit of approximately HK$879,000 was pledged as security against equivalent amount of bills payable utilised by the Group. Such facilities was utilised to the extent of approximately HK$193,000 at 31 December 2009. The pledged bank deposits carried interest at market rate of 0.02% per annum.

27. BANK BALANCES AND CASH

The amounts comprise short-term bank deposits carried at the prevailing market interest rates which range from 0.00% to 1.34% (2009: from 0.00% to 1.31%) per annum. At 31 December 2010, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate.

	2010	2009
	HK$'000	HK$'000
HKD	**1,935,013**	–
RMB	**–**	31,047
United States Dollars	**71,785**	32,464
Euro	**42**	35

28. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	HK$'000
Trade and bills payables aged based on invoice date:		
Within 1 month	**18,199**	25,987
1 – 2 months	**9,764**	1,233
2 – 3 months	**2,446**	111
More than 3 months less than one year	**5,961**	1,592
	36,370	28,923
Other accrued charges	**31,936**	22,142
	68,306	51,065

The credit period on purchases of goods is 30 to 60 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

29. BANK LOANS

As at 31 December 2009, the bank loans were secured and repayable within one year. The balance was fully repaid during the year.

The bank loans of the Group as at 31 December 2009 bear interest at effective interest rate range from 3% to 6% per annum.

The banking facilities of the Group as at 31 December 2009 were secured by floating charges over the assets of a subsidiary as follows:

	2009 HK$'000
Property, plant and equipment	1,782
Trade receivables	17,279
Other assets	12,000

For the year ended 31 December 2009, certain banking facilities of the Group were subject to the fulfillment of covenants. If the Group were to breach the covenants the drawn down facilities would become payable on demand.

30. CONVERTIBLE BONDS – LIABILITY COMPONENT

	2010 **HK$'000**	2009 HK$'000
Liability component	**1,354,188**	–
Direct transaction costs attributable to the liability component	**(10,333)**	–
Liability component at the issuance date	**1,343,855**	–
Interest expenses	**2,075**	–
Converted during the year	**(6,053)**	–
At end of the year	**1,339,877**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

30. CONVERTIBLE BONDS – LIABILITY COMPONENT (Continued)

On 3 December 2010 and 31 December 2010, the Company issued convertible bonds amounted to HK$499,850,000 to independent third parties and HK$1,500,000,000 to Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI"), respectively. The terms of these convertible bonds are summarised as follows:

Conversion price	:	HK$0.65 per share, subject to adjustment
Coupon rate	:	Nil
Maturity date	:	Five anniversary years from the date of issue of the convertible bonds
Exchange rate	:	On conversion or settlement, principal amounts of the non-redeemable convertible bonds will be converted into RMB at an fixed exchange rate quoted by the People's Bank of China at the date of issue of the redeemable convertible bonds
Redemption at the option of the Company	:	(i) On giving not less than thirty or more than ninety days' notice to the holders of the convertible bonds, the Company may at any time prior to maturity date redeem all or some (being HK$10,000 in principal amount or an integral multiple thereof) of the convertible bonds for the time being outstanding at their principal amount provided that the closing price of the Company's shares for each ten consecutive trading days, the last of which occurs not more than ten days prior to the date on which notice of such redemption is published, was at least HK$1.00. (ii) May at any time prior to the maturity date redeem all or some of the convertible bonds for the time being outstanding at their principal amount provided that prior to the date of such notice at least 90% in principal amount of the convertible bonds originally issued have already been converted, redeemed or cancelled.
Conversion rights of the Company	:	The Company may, having given not less than thirty or more than ninety days' notice, at its absolute discretion request any one or more holders of convertible bond (which notice will be irrevocable) to exercise their respective conversion right attaching to their convertible bonds, to convert all or some of such convertible bonds for the time being outstanding at their principal amount, provided that no such conversion request may be made by the Company unless the closing price of the Company's shares, for each of the ten consecutive trading days immediately prior to the date upon which notice of such conversion is given, is at least HK$1.00.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

30. CONVERTIBLE BONDS – LIABILITY COMPONENT (Continued)

Redemption option of the holders of the convertible bond	:	The Company will, at the option of the holder of any convertible bond, redeem all or some of the convertible bonds held by such holder on any day after the first anniversary of the issue of the convertible bonds (the "Put Option Date") at their principal amount. To exercise such right, the holder of the relevant convertible bond must complete, sign and deposit at the principal place of business of the Company in Hong Kong a duly completed and signed put notice in the form for the time being current, obtainable from the principal place of business of the Company in Hong Kong, together with the certificate evidencing the convertible bonds to be redeemed. The put notice should be given not less than thirty days or more than ninety days prior to the Put Option Date.
Redemption for tax reasons	:	The convertible bonds may be redeemed at the option of the Company in whole or in part on giving not less than thirty or more than sixty days' notice at their principal amount if: (i) The Company will become obliged to pay any additional amounts in respect of any payment under the convertible bonds as a results of any change in or amendment to the laws or regulations of the Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 June 2010; and (ii) Such obligation cannot be avoided by the Company taking reasonable measures available to the Company.

Due the redemption option of the holders of the convertible holder described above, the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after 31 December 2010 and the liability component of the convertible bonds is classified as current liabilities accordingly.

If the conversion options of the convertible bonds are fully exercised, 3,076,923,076 new ordinary shares of the Company will be issued based on the initial conversion price of HK$0.65 per share.

Any outstanding convertible bonds will be converted into new ordinary shares of the Company mandatorily on maturity.

The Company split the redeemable convertible bonds into liability component and equity component.

In the opinion of the Board, the adjustment feature of the redeemable convertible bond is to protect the convertible instrument holder against dilution and the fixed exchange rate feature of the redeemable convertible bond implies that convertible bond in substance is a RMB bond with face value amounting to RMB1,705,021,000. The conversion feature of the redeemable convertible bonds will be resulted in the settlement of the financial liability by the Company's exchanging a fixed amount of cash for a fixed number of its own equity instruments. Accordingly, the conversion feature of the redeemable convertible bond is an equity instrument of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. CONVERTIBLE BONDS – LIABILITY COMPONENT (Continued)

The fair value of the liability component net of direct transaction costs, amounting to HK$1,343,855,000, was estimated at the issuance date using an equivalent market interest rate for similar bonds without a conversion option. The deemed effective interest rate of the liability component is approximately 8.22% and 7.86% per annum for the convertible bonds amounted to HK$499,850,000 and HK$1,500,000,000, respectively. The residual amounts amounting to HK$645,662,000 in aggregate are assigned as the equity component and are included in shareholders' equity.

During the year ended 31 December 2010, convertible bonds in the aggregate principal amount of HK$9,100,000 have been duly converted into 14,000,000 new ordinary shares of the Company.

31. SHARE CAPITAL

	Number of shares		Amount	
	2010	2009	**2010**	2009
			HK$'000	HK$'000
Shares of HK$0.10 each				
Authorised:				
At beginning of the year	**5,000,000,000**	5,000,000,000	**500,000**	500,000
Increased during the year	**5,000,000,000**	–	**500,000**	–
At end of the year	**10,000,000,000**	5,000,000,000	**1,000,000**	500,000
Issued and fully paid:				
At beginning of the year	**3,239,196,000**	999,196,000	**323,920**	99,920
Issue of shares (a)	**–**	2,240,000,000	**–**	224,000
Issue of shares on exercise of warrants (b)	**200,000,000**	–	**20,000**	–
Issue of consideration shares (c)	**83,362,500**	–	**8,336**	–
Issue of shares on conversion of convertible bonds (d)	**14,000,000**	–	**1,400**	–
At end of the year	**3,536,558,500**	3,239,196,000	**353,656**	323,920

During the year, the Company increased the authorised share capital of the Company from HK$500,000,000 to HK$1,000,000,000 to be divided into 10,000,000,000 shares, by creation of additional 5,000,000,000 unissued shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

31. SHARE CAPITAL (Continued)

The movements in share capital during the two years ended 31 December 2010 were as follows:

(a) On 24 April 2009, the Company entered into a placing agreement with a placing agent pursuant to which the Company had conditionally agreed to place, on a fully underwritten basis by the placing agent, a maximum of 1,700,000,000 shares at a price of HK$0.15 per share to certain placees (the "Placement"). The Placement was approved by resolutions passed in the special general meeting held on 22 June 2009 and completed on 2 July 2009. The net aggregate proceeds from the Placement, after deducting relevant expenses, is approximately HK$249,491,000. Upon completion of the Placement, the issued and fully paid shares of the Company were increased to 2,699,196,000 shares.

On 28 July 2009 and 30 July 2009, the Company had respectively entered into a placing agreement and a supplemental placing agreement pursuant to which the Company had appointed the placing agent, on a fully underwritten basis, to procure not fewer than six placees to subscribe for a maximum of 540,000,000 shares at a price of HK$0.50 per share and a maximum of 200,000,000 unlisted warrants at an issue price of HK$0.01 per unit of warrant (the "New Placement"). The New Placement was approved by resolutions passed in the special general meeting held on 14 September 2009 and had been completed on 24 September 2009. The net aggregate proceeds of the New Placement, after deducting relevant expenses, is approximately HK$267,363,000. Upon completion of the New Placement, the issued and fully paid shares of the Company were increased to 3,239,196,000 shares.

(b) On 9 April 2010, holder of the unlisted warrants has exercised their rights to subscribe for 200,000,000 ordinary shares in the Company at the subscription price of HK$0.5 per share, resulting in the issue of 200,000,000 shares of HK$0.1 each for a total cash consideration of HK$100,000,000.

(c) On 9 July 2010, the Company has allotted and issued 83,362,500 ordinary shares of the Company as part of the consideration to acquire assets and liabilities through acquisition of subsidiaries as set out in Note 37.

(d) During the year ended 31 December 2010, the convertible bonds in aggregated amount of HK$9,100,000 have been duly converted into 14,000,000 ordinary shares of the Company at the conversion price of HK$0.65 per share.

The new ordinary shares issued as set out above ranks pari passu with the then existing ordinary shares in issue of the Company.

Share options

Details of the Company's share option scheme are included in Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

31. SHARE CAPITAL (Continued)

Warrants

On 24 September 2009, 200,000,000 unlisted warrants were issued by the Company at an issue price of HK$0.01 per unit of warrant upon the completion of the New Placement. Each warrant entitles the holder thereof to subscribe for one ordinary share of the Company of HK$0.1 at a subscription price of HK$0.50 per share, payable in cash and subject to adjustment in the event of a capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, during the period of two years from the date of the issue of warrants. The proceeds received from the issue of warrants of HK$2,000,000 are credited to equity (warrant reserve).

During the year ended 31 December 2010, all warrants have been fully exercised to subscribe for ordinary shares of the Company, result in the issue of 200,000,000 additional ordinary shares of HK$0.1 each.

32. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Tax loss	**Others**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2009	(177)	740	563
Exchange realignment	–	(1)	(1)
At 31 December 2009 and at 31 December 2010	**(177)**	**739**	**562**

At 31 December 2010, the Group has unused tax losses of approximately HK$107,680,000 (2009: HK$40,883,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the uncertainty of future profit streams.

At 31 December 2010, the Group's tax losses from Hong Kong and United States of America Profits Tax of approximately HK$68,640,000 (2009: HK$24,132,000) and HK$264,000 (2009: nil), respectively will not be expired and tax losses from Mainland China Enterprise Income Tax of approximately HK$38,776,000 (2009: HK$16,751,000) can be carried forward to offset against future taxable income in year 2011 to 2015.

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33. SHARE OPTION SCHEME

On 18 March 2010, the Company has adopted new share option scheme to replace the old share option scheme adopted on 18 June 2002.

The following tables disclose details of the Company's share options held by the employees, directors and consultants and movements in such holdings under the share option scheme during the year:

	Date of grant	Exercise period	Exercise price	Number of options: Outstanding at 1 January 2010	Granted during the period	Exercise during the period	Outstanding at 31 December 2010
Directors	8.4.2010	8.4.2010 – 7.4.2020	0.820	–	18,000,000	–	18,000,000
	27.4.2010	27.4.2010 – 26.4.2020	0.808	–	6,000,000	–	6,000,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	–	5,000,000	–	5,000,000
Employees	8.4.2010	8.4.2010 – 7.4.2020	0.820	–	58,500,000	–	58,500,000
	11.5.2010	11.5.2010-10.5.2020	0.820	–	5,200,000	–	5,200,000
	17.6.2010	17.6.2010-16.6.2020	0.820	–	1,400,000	–	1,400,000
Consultants	8.4.2010	8.4.2010 – 7.4.2020	0.820	–	208,600,000	–	208,600,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	–	2,000,000	–	2,000,000
	17.6.2010	17.6.2010 – 16.6.2020	0.820	–	1,000,000	–	1,000,000
				–	305,700,000	–	305,700,000
Exercisable at the end of the year							305,700,000

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 305,700,000 (31 December 2009: Nil), representing 9% (31 December 2009: nil) of the shares of the Company in issue as at that date.

In the current year, share options were granted on 8 April, 2010, 27 April, 2010, 11 May, 2010 and 17 June, 2010. The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair values of the options, all vested immediately on the date of grant, are determined at the dates of grant using binomial model ranges from HK$0.1964 to HK$0.4414.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

33. SHARE OPTION SCHEME (Continued)

The following assumptions were used to calculate the fair values of share options:

	8 April 2010	27 April 2010	11 May 2010	17 June 2010
Grant date share price	0.82	0.800	0.73	0.66
Exercise price	0.82	0.808	0.82	0.82
Option life	10 years	10 years	10 years	10 years
Expected volatility	48.156%	47.838%	47.852%	47.890%
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	2.824%	2.919%	2.735%	2.435%

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group, using binomial model. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expense of HK$86,533,000 for the year ended 31 December 2010 in relation to share options granted by the Company.

As the Company has changed its principal business to property development during the year, the expected volatility was determined by using the average annualized standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

No share options were granted during the year ended 31 December 2009.

34. DISTRIBUTABLE RESERVES

The Company has contributed surplus of HK$75,131,000 (2009: HK$75,131,000) at 31 December 2010. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make distributions out of contributed surplus if it is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. At 31 December 2010, the accumulated loss of the Company amounted to HK$409,502,000 (2009: HK$304,722,000). Accordingly, the Board considered that the Company does not have any reserve available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

35. RETIREMENT BENEFITS SCHEME

	2010	2009
	HK$'000	HK$'000
Retirement benefit contribution made during the year	**1,059**	182

According to the relevant laws and regulations in Mainland China, the subsidiaries of the Company in Mainland China are required to contribute a certain percentage of the payroll of their employees to the retirement benefits scheme to fund the retirement benefits of their employees. A subsidiary of the Company is required to join a Mandatory Provident Fund Scheme for all its employees in Hong Kong. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the respective schemes. As at 31 December 2009 and 2010, there were no forfeited contributions, which arose upon employees leaving the retirement benefits schemes, available to reduce the contribution payable in the future periods.

36. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2009

On 1 May 2008, Peaktop Investment Holdings (B.V.I.) Limited ("Peaktop BVI"), a wholly-owned subsidiary of the Company and an independent third party entered into an agreement that the Group agreed to dispose of its 100% equity interest in PTL, a subsidiary incorporated in Hong Kong, whose sole asset is its 75% equity interest in Shenzhen Yuansheng Light Industrial Products Co., Ltd ("Chinese Subsidiary"). On 25 February 2009, Peaktop BVI and the same independent third party entered into a supplemental agreement that Peaktop BVI agreed to dispose of its remaining 25% equity interest in the Chinese Subsidiary held by another Company's subsidiary.

The aggregate consideration for the disposal of the 100% equity interest of the Chinese Subsidiary was RMB240,000,000 (equivalent to HK$271,431,000) adjusted in accordance with the supplemental agreement by the liabilities of the Chinese Subsidiary which remain outstanding at completion. The financial liabilities assumed by the purchaser amounted to HK$124,406,000.

Stage payments of the consideration and completion of the disposal were conditional upon the outstanding property and land ownership certificates in respect of the leasehold land and buildings owned by the Chinese Subsidiary to be obtained by no later than 30 June 2009.

In accordance with the clause 4.1.5 stated in the agreement dated 1 May 2008 relating to the sale and purchase of entire issued capital of PTL, the business of the Chinese Subsidiary other than its investment in certain buildings, prepaid lease payments and leasehold improvements ("Property") should be transferred out or otherwise disposed of, with all the labour related issues properly and duly settled (including due and proper termination of all relevant labour contracts with payment of economic compensation in compliance with the applicable law) and all the liabilities of the Property having been settled, such that the Chinese Subsidiary was free of any encumbrances and was engaged in no business of any kind other than its investment in and ownership of the Property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

36. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2009 (Continued)

The transaction has been completed in September 2009.

The net assets of subsidiaries disposed of at the date of disposal during the year ended 31 December 2009 were as follows:

	HK$'000
Net assets disposal of:	
Property, plant and equipment	81,637
Investment properties	69,377
Prepaid lease payments	21,053
Inventories	693
Trade and other receivables	479
Bank balances and cash	80,263
Trade and other payables	(49,045)
Bank loans	(161,353)
	43,104
Reserve released upon disposal:	
Exchange reserve	2,749
Expenses incurred by the Group upon disposal	706
Gain on disposal of subsidiaries, net	100,466
	147,025
Satisfied by:	
Loan receivable	67,858
Cash	39,267
Deposit received in 2008	39,900
	147,025

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries during the year ended 31 December 2009 respectively were as follows:

	HK$'000
Cash consideration	39,267
Less: Expenses incurred by the Group	(706)
Less: Cash and cash equivalents disposal of	(80,263)
Net cash outflow of cash and cash equivalents in respect of disposal of subsidiaries	(41,702)

The subsidiaries disposed of during the year ended 31 December 2009 contributed no revenue to the Group and but incurred loss after tax of approximately HK$17,888,000 to the Group for that period to its respective dates of disposals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

37. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2010, the Company acquired assets and liabilities of properties under development project for sale in Mainland China from its holding company, BHL. The consideration was satisfied by cash of RMB31,500,000 (equivalent to approximately HK$35,790,000) and issuance of 83,362,500 ordinary shares of the Company to BHL.

As BHL is a connected person under the Listing Rules, this transaction constituted a connected transaction under the Listing Rules and has been approved by the independent shareholders on 12 March 2010.

The fair value of the assets acquired amounted to approximately HK$45,208,000 was determined by the Board by reference mainly to the valuation report of property interests carried out by Asset Appraisal, an independent firm of qualified professional valuers.

The acquisition is accounted for as acquisition of assets and liabilities through acquisition of the subsidiary which involves issue of shares of the Company. Accordingly, the difference between the fair value of net assets and the cash consideration is accounted for as the fair value of the shares issued.

The net assets acquired in the transaction arising are as follows:

	HK$'000
Property, plant and equipment	338
Properties under development for sale	342,900
Other receivables	20
Bank balances and cash	3,304
Trade and other payables	(34,340)
Deposits received in advance from property sales	(25,786)
Amount due to a related party	(211,072)
Net asset acquired	75,364
Less: non-controlling interests	(30,156)
	45,208

38. CAPITAL COMMITMENTS

	2010 **HK$'000**	2009 HK$'000
Capital expenditure contracted for but not provided for:		
– property, plant and equipment	**–**	499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

39. LEASE COMMITMENTS

The Group as lessee

The Group leases certain of its office properties under operating lease arrangement. Leases are negotiated for terms ranging from one to two years (2009: one to two years).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**1,390**	1,994
In the second to fifth year inclusive	**–**	1,081
	1,390	3,075

40. RELATED PARTY TRANSACTIONS

Apart from the related party balances and transactions as stated in Notes 8, 24, 30, 31 and 37 and the information of the certain directors of the Board and other members of the key management disclosed in Note 12, the Group entered into an operating lease agreement with BHL to lease office premises in Beijing. Rental expenses amounting to approximately HK$905,000 (2009: Nil) was charged to profit or loss during the year ended 31 December 2010. The related party transaction also constituted continuing connected party transaction to the Company, as defined in Chapter 14A of the Listing Rules.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern; to maintain the confidence of creditors; to sustain future development of the entities and to maximise the return to the equity holders of the entities. The Group's overall strategy remains unchanged in prior year.

The capital structure of the Group consists of net debt (borrowings disclosed in Note 29 and 30, net of cash and cash equivalents) and total equity of the Group.

The Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associates with each class of capital. Based on the recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of the existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

42. FINANCIAL INSTRUMENTS

a. Categories and fair value of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables including the pledged deposits and cash and cash equivalents	**3,415,175**	620,547
Financial liabilities		
Financial liabilities stated at amortised cost	**1,408,793**	61,794

b. Financial risk management objectives and policies

Currency risk

Most of the sales and purchase transactions of the group entities are denominated in the functional currency of the respective group entities, therefore, the Group does not has significant exposure to foreign currency risks. However, loan receivables, certain trade receivables, other payables and bank balances kept by certain group entities are denominated in currencies other than the functional currency of the respective group entities.

The Group currently does not have a foreign currency hedging policy but the Board monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated assets and liabilities of group entities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Foreign currency:				
United States Dollar	**3,822**	6,092	**14,261**	6,823
Renminbi	**69,264**	70,287	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

The following table details the Group's sensitivity to a reasonably possible change in exchange rate of each foreign currency of the group entities against HK$, the reporting currency of the Group, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a change in foreign currency rates as set out below:

	United States Dollar		Renminbi	
	2010	2009	**2010**	2009
	%	%	**%**	%
Possible change in exchange rate	**0.5**	0.5	**1**	1

	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in loss for the year:				
– if HK$ weakens against foreign currencies	**(52)**	4	**(693)**	(703)
– if HK$ strengthens against foreign currencies	**52**	(4)	**693**	703

Interest rate risk

The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture potential opportunities to reduce the cost of borrowings.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposit of approximately HK$601,802,000 which carry interests ranges from 0.04% to 1.34% per annum.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to floating-rate loan receivable, pledged deposits, bank balances and bank loans (see Notes 20, 26, 27 and 29 for details of these amounts).

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing standard lending rate specified by People's Bank of China and US Prime Rate as the interest on loan receivable and interest on bank loans borrowed by a subsidiary incorporated in US is linked to these rates respectively.

The Group's sensitivity to cash flow interest rate risk arising from floating-rate loan receivables and bank loans has been determined based on the exposure to interest rates for the floating-rate financial instruments and the analysis is prepared assuming that the amount of assets is receivable and the amount of liability is outstanding at the end of the reporting period was receivable or outstanding for the whole year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

Cash flow interest rate risk (Continued)

	2010	2009
	HK$'000	HK$'000
Reasonably possible change in interest rate	**27 basis points**	27 basis points
(Decrease) increase in loss for the year		
– as a result of increase in interest rate	**(183)**	(155)
– as a result of decrease in interest rate	**183**	155

The Group's sensitivity to cash flow interest rate risk arising from floating-rate pledged deposit and bank balances has been determined based on the exposure to interest rates for the floating-rate financial instruments and the analysis is prepared assuming the deposits at the end of the reporting period was outstanding for the whole year. A 10 basis point increase or decrease in interest rate would lead to a decrease or increase in the loss for the year by approximately HK$2,702,000 (2009: HK$79,000).

The possible change in the interest rate does not affect the equity of the Group in both years.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or customers is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Board considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 71% (2009: 72%) of the total trade receivable was due from the Group's four major customers (2009: four). These customers also accounted for approximately 41% (2009: 53%) of sales for the year ended 31 December 2010.

The Group also has concentration of credit risk on loan receivable as it is due from a single party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

To manage the liquidity risk, the Group reviews the level of cash and cash equivalents to ensure their adequacy to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group also review the utilisation of borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from existing interest rate at the end of the reporting period.

	Weighted average effective interest rate	Within one year and on demand	Within one to two years	Over two years but less than five years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010						
Financial liabilities						
Trade and other payables	**–**	**65,178**	**3,128**	**–**	**68,306**	**68,306**
Amounts due to related parties	**–**	**610**	**–**	**–**	**610**	**610**
Convertible bonds (Note 30)	**7.95**	**1,990,750**	**–**	**–**	**1,990,750**	**1,339,877**
		2,056,538	**3,128**	**–**	**2,059,666**	**1,408,793**
At 31 December 2009						
Financial liabilities						
Trade and other payables	–	51,065	–	–	51,065	51,065
Amounts due to related parties	–	455	–	–	455	455
Bank loans	6	10,329	–	–	10,329	10,274
		61,849	–	–	61,849	61,794

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The undiscounted cash flows of convertible bonds represents the outstanding principal face value of the convertible bonds at 31 December 2010. The amount is classified as within one year as the amount will be subject to the redemption option of the holders of the convertible bonds one year after the respective dates of issue of the convertible bonds (3 December 2010 and 31 December 2010) as set out in Note 30.

c. Fair value

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

- the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the determination of the fair value of financial assets designated as fair value through profit and loss is set out in Note 21.

43. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2009 and 2010 are as follows:

Name of Company	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by Company		Principal activities
			2010	2009	
Peaktop Investment Holdings (B.V.I.) Limited	British Virgin Islands ("BVI")	US$10,000	**100%**	100%	Investment holding
Peaktop Limited#	Hong Kong	HK$100 and HK$18,720,000 deferred shares	**100%**	100%	Trading of giftware, gardening and water gardening products and investment holding
Fuqing Yuansheng Light Industrial Products Co., Ltd.*	Mainland China	US$5,200,000	**100%**	100%	Inactive
Luhe Yuansheng Light Industrial Products Co., Ltd.*	Mainland China	US$3,950,000	**100%**	100%	Inactive
Shenzhen Yu Hua Pumping Co., Ltd*	Mainland China	HK$26,000,000	**100%**	100%	Manufacturing and distribution of water pumps

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of Company	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by Company		Principal activities
			2010	2009	
Peaktop Group Limited	Hong Kong	HK$10,000	**100%**	100%	Distribution of water pumps
Silkroadgifts, Inc.	United States of America	US$95,000	**100%**	100%	Wholesale of giftware and stationary and development of new products
HPT Group (USA), Inc.	USA	US$5,001,500	**100%**	100%	Investment holding
Peaktop Technologies (USA) Hong Kong Limited	Hong Kong	HK$10,000	**–**	51%	Distribution of gardening and water gardening products and deregistered in July 2009
深圳巨成泵業有限公司*	Mainland China	HK$3,500,000	**100%**	100%	Manufacturing and distribution of water pumps
New Radiant Investment Limited	BVI	US$1	**100%**	100%	Investment holding
Beijing Properties (HK) Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
Beijing Properties Investment (Holdings) Limited	Hong Kong	HK$1	**100%**	100%	Investment holding
BHL Investment Consultancy Co., Ltd*	Mainland China	US$1,500,000	**100%**	100%	Consultancy service
Zenna Investments Limited	BVI	US$1	**100%**	–	Investment holding
A&N Limited	Hong Kong	HK$1	**100%**	–	Investment holding
北京京泰同成置業有限公司	Mainland China	RMB288,705,000	**60%**	–	Property development

* The subsidiaries are registered as wholly foreign-owned enterprise under the applicable laws of the Mainland China.

\# In accordance with the Articles of Association of Peaktop Limited, the deferred shares carry no rights to dividends other than a dividend at a fixed rate of 1% per annum on the excess of the net profits that the Company may determine to distribute in respect of any financial year over HK$1,000,000,000,000,000, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up other than 1% of the surplus assets of the company available for distribution after a total of HK$100,000,000,000,000,000 has been distributed to the holders of the ordinary shares of the company in such winding-up.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

43. PRINCIPAL SUBSIDIARIES (Continued)

Except for Peaktop Investment Holdings (B.V.I.) Limited, New Radiant Investment Limited and Zenna, all of the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the Board, principally affects the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Board, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

44. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, convertible bonds in the aggregate principal amount of HK$41,730,000 have been converted by certain bondholders in exchange for 64,200,000 new ordinary shares of the Company. As a result of the conversions, the issued capital of the Company has been increased from HK$353,655,850 divided into 3,536,558,500 shares to HK$360,075,850 divided into 3,600,758,500 shares.

PARTICULARS OF PROPERTY

INVESTMENT PROPERTY

Location	Use	Tenure	Attributable interest of the Group
Car Park No. D35, Tower II, Level 3P, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay Kowloon Hong Kong	Car park	Medium-term lease	100%

PUBLISHED FIVE YEAR FINANCIAL SUMMARY

	Years ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**139,387**	155,526	302,166	495,047	1,089,187
(Loss) profit before taxation	**(155,132)**	(23,116)	(110,979)	(188,935)	13,810
Income tax (expense) credit	**(262)**	648	2,157	(5,104)	(102)
(Loss) profit for the year	**(155,394)**	(22,468)	(108,822)	(194,039)	13,708
Attributable to:					
Owners of the Company	**(153,765)**	(22,468)	(108,822)	(193,838)	13,766
Non-controlling interests	**(1,629)**	–	–	(201)	(58)
	(155,394)	(22,468)	(108,822)	(194,039)	13,708
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**4,134,256**	641,314	393,498	538,686	640,395
Total liabilities	**(2,791,755)**	(62,373)	(309,225)	(382,733)	(384,186)
Non-controlling interests	**(51,633)**	–	–	–	(201)
	1,290,868	578,941	84,273	155,953	256,008