Annual Report 2010

CHINA INVESTMENT FUND

China Investment Fund Company Limited
中 國 投 資 基 金 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 00612

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

William Robert Majcher *(Chairman)*
Wan Chuen Hing, Alexander *(Managing Director)*

Independent Non-executive Directors

Cheng Wing Keung, Raymond
Yeung Chun Yue, David
Siu Hi Lam, Alick

COMPANY SECRETARY

Hong Lai Ping

AUDIT COMMITTEE

Yeung Chun Yue, David *(Chairman)*
Cheng Wing Keung, Raymond
Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Cheng Wing Keung, Raymond *(Chairman)*
Yeung Chun Yue, David
Siu Hi Lam, Alick

INVESTMENT MANAGER

Baron Asset Management Limited
Room 401, 4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

CUSTODIAN

Standard Chartered Bank
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

Bank of Communications Company Limited
20 Pedder Street
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITORS

HLM & Co., Certified Public Accountants
Room 305, 3rd Floor
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

STOCK CODE

00612 (Listed on the Main Board of
The Stock Exchange of Hong Kong Limited)

WEBSITE

www.irasia.com/listco/hk/cif

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010.

The Group was principally engaged in investment in both listed and unlisted securities.

BUSINESS REVIEW

The global economic recovery initially started in the later part of 2009 was accelerated during early 2010 caused mainly by the boost in government spending and rebuilding of business inventory. However, the abrupt European financial crisis that surged in 2010 has obstructed the growth pace of global investment market. In the second half of 2010, the U.S. Federal Reserve has embarked on a second round of quantitative easing to stimulate the slow pace of economic recovery of the United States.

Under the above situation, the Group had still made a net profit of approximately HK$29,729,000 (2009: approximately HK$17,944,000). The profit was mainly due to the realised gain on disposal of available-for-sale financial assets of approximately HK$37,262,000 (2009: realised loss of approximately HK$1,182,000). Therefore, the Group recorded a net profit in the year 2010.

Securities Investments

The Board exercised caution when managing the investment process during the year. For the year ended 31 December 2010, the Group recorded audited revenue of approximately HK$1,168,000, decreased by approximately 89% over the previous year. The Group made a realised gain on disposal of available-for-sale financial assets of approximately HK$37,262,000 which was higher than last year realised loss of approximately HK$1,182,000. The increase in realised gain was mainly due to the disposal of shares of Cosmopolitan International Holdings Limited listed in Hong Kong during the year.

Given the recent uncertainty of the global economy, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining reasonable investment yields for our shareholders. We will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$41,615,000 as at 31 December 2010 (2009: approximately HK$44,603,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was not applicable as the Group did not have any bank loans or borrowings as at 31 December 2010 and 2009.

There were no capital commitments as at 31 December 2010 which would require a substantial use of the Group's present cash resources or external funding.

Exchange risk of the Group is minimal as the current assets of the Group comprised substantially of bank deposits denominated in Hong Kong dollars and US dollars. Approximately 0.02% of the Group's monetary assets are denominated in European dollars. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

MATERIAL ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

There were no material acquisition of subsidiaries and disposal of subsidiaries during the year ended 31 December 2010.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as 20,000,000 new ordinary shares issued by subscription in consideration for cash proceed, there has been no change in the capital structure of the Company for the year under review.

EMPLOYEE INFORMATION

As at 31 December 2010, the Company had 2 executive Directors and 3 independent non-executive Directors and 2 employees. Remuneration policies for the Directors are reviewed by the Group in accordance with the market situation, respective duties, responsibilities with the Group and their performance from time to time.

PROSPECTS

The global economy is under a severely challenging time. The political unrest in the Middle East and North African countries and the downgrade of Spain's credit rating has raised renewed concerns on the European debt crisis and economic recovery. Further, the recent abrupt earthquake and subsequent tsunami damages in Japan may likely affect the Asian economies. The Directors will cautiously approach and analyse the market to safely monitor the portfolio of investments of the Group. Most importantly, we will attentively look out for investment opportunities which offer reasonable returns and within the acceptable risk profile of the Group.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for 20,000,000 new ordinary shares issued by subscription on 1 November 2010 in consideration for cash proceed which are disclosed under Note 21 to the Financial Statements of our Annual Report 2010.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information of the Group required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange will be dispatched to our shareholders on or before 30 April 2011 and published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Thursday, 23 June 2011 to Monday, 27 June 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting to be held on Monday, 27 June 2011, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 22 June 2011.

By order of the Board
China Investment Fund Company Limited

William Robert Majcher
Chairman
Hong Kong, 18 March 2011

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. William Robert Majcher ("Mr. Majcher"), aged 48, is an executive Director. Mr. Majcher has been appointed to the board of directors of Evolving Gold Corporation, a company listed on both TSX Venture Exchange of Canada and Frankfurt Stock Exchange, with effect from 21 September 2007. Mr. Majcher has also been appointed to be independent director of Q-Gold Resources Ltd. and First Star Resources Inc., companies listed on TSX Venture Exchange of Canada with effect from 4 November 2010 and 4 February 2011 respectively. Mr. Majcher is a highly accomplished visionary with over 20 years combined experience in public service, international finance, and capital markets. His background includes management, public stewardship, structured finance, emerging markets, product development, strategic planning and positioning, and risk management. Mr. Majcher started his career as a Eurobond trader in London, England, where he was known as one of the youngest Canadian Eurobond traders in the market. He later used this experience during a twenty-year career with the Royal Canadian Mounted Police (RCMP), where Mr. Majcher enjoyed remarkable success in covert and public market investigations that often saw him working with law enforcement and securities regulators from around the globe. Mr. Majcher has experience as a Futures and Options broker and trader in both Canada and the United States and has lectured extensively on abuse within the international capital markets, including sophisticated money laundering. Mr. Majcher is recognised as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice. Mr. Majcher obtained a bachelor's degree in Commerce from St. Mary's University, Halifax.

Mr. Wan Chuen Hing, Alexander ("Mr. Wan"), aged 50, is an executive Director. Mr. Wan graduated with a bachelor's degree in economics from University of California, Berkeley, the US. He has also undertaken a master's degree course in business administration majoring in international management in Golden Gate University, US. Mr. Wan has over 19 years of banking experience in the US and the Asia Pacific Region. During the period from 1995 to 1998, Mr. Wan was the manager of Asian Global Relationship Centers and the head of Credit and Corporate Finance for the West Coast Region of Citibank International Private Banking Group. He was responsible for the management and investment of high net worth clients' funds with a portfolio of over US$500 million on a discretionary basis. During the period from 1998 to 1999, Mr. Wan was the managing director and head of Asia Pacific and the West Coast of Blue Stone Capital Partners, L.P., a US investment and merchant banking company. In 2000, Mr. Wan was the general manager and business development director of Beenz.com Greater China Limited covering the PRC, Taiwan, Korea and Hong Kong. Beenz.com is a global customer relationship management solutions provider. From 2002 to 2008, Mr. Wan had been the IT Business Director and Chief Financial Officer of Sino Resources Group Limited (previously known as Kenfair International (Holdings) Limited), a company whose securities are listed on the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Wing Keung, Raymond ("Mr. Cheng"), aged 51, is an independent non-executive Director, member and chairman of the Remuneration Committee and member of the audit committee of the Company. Mr. Cheng is a solicitor practicing in Hong Kong and has over 20 years of experience in corporate, company secretarial and listing affairs. He holds a bachelor degree in laws from the University of London and a Master Degree in Business Administration from the University of Strathclyde, Scotland. Mr. Cheng was an independent non-executive director of Fortuna International Holdings Limited from 27 September 2004 to 20 September 2006. At present, he is an independent non-executive director in three listed companies in Hong Kong, Skyfame Realty (Holdings) Limited, Emperor Capital Group Limited and Sino Resources Group Limited.

Mr. Yeung Chun Yue, David ("Mr. Yeung"), aged 29, has been appointed as an independent non-executive Director, member and chairman of the audit committee and member of the remuneration committee of the Company. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants ("CPA") and a member of the Taxation Institute of Hong Kong. He graduated from the City University of Hong Kong and is now a senior member of a CPA firm. He has more than 6 years' experience in statutory audit and has extensive knowledge in auditing of multi-national corporations in various industries.

Mr. Siu Hi Lam, Alick ("Mr. Siu"), aged 56, has been appointed as an independent non-executive Director, member of the audit committee and member of the remuneration committee of the Company. Mr. Siu is the Managing Director of Fortune Take International Limited, a company engaging in business consultancy services established in February 2004. Mr. Siu has worked in the finance and banking field for more than 25 years. He had been the Senior Vice President of AIG Finance (Hong Kong) Limited and the Vice President of Bank of America. He was responsible for business development and credit risk management. Mr. Siu obtained a master degree in Business Administration from the University of Hull in 1995. Mr. Siu was appointed as an independent non-executive director of BEP International Holdings Limited (stock code: 2326) and Sage International Group Ltd. (previously known as Info Communication Holdings Limited) (stock code: 8082) in June 2009 and February 2010 respectively.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 28 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 67. The Directors do not recommend the payment of a final dividend for the year.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out on page 23. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2010 and 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

REPORT OF THE DIRECTORS

As at the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. William Robert Majcher *(Chairman)*
Mr. Wan Chuen Hing, Alexander *(Managing Director)*
Mr. Chan Wai Lam (resigned on 5 February 2010)

Independent Non-executive Directors

Mr. Cheng Wing Keung, Raymond
Mr. Kwong Kwan Tong (resigned on 26 April 2010)
Mr. Yeung Chun Yue, David (appointed on 26 April 2010)
Mr. Siu Hi Lam, Alick (appointed on 1 November 2010)
Mr. Yan Mou Keung, Ronald (resigned on 1 December 2010)

At the forthcoming annual general meeting of the Company ("AGM"), two Directors will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with the Articles. One director being appointed after the last annual general meeting as an addition to the existing board of Directors of the Company, shall hold office only until the annual general meeting, being eligible, offers himself for re-election at the annual general meeting in accordance with the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2010, none of the Directors, the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 23 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a director or the chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

Name	Notes	Number of shares/options	Type of interest	Approximately percentage of issued share capital of the Company
Wan Ho Yan, Letty	1	230,280,511	Interest of controlled corporation	20.65%
Lam Kwing Wai, Alvin Leslie	2	155,728,000	Interest of controlled corporation	13.96%
Cheng Hew Hong, Rebecca	3	110,000,000	Interest of controlled corporation/Beneficial owner	9.86%

Notes:

1. Ms. Wan Ho Yan, Letty ("Ms. Wan") is deemed to be interested in 230,280,511 shares held by Harvest Capital Global Enterprises Limited which is wholly owned by Ms. Wan.

2. Mr. Lam Kwing Wai, Alvin Leslie ("Mr. Lam") is deemed to be interested in 155,728,000 shares held by Joint Talent Investments Limited which is wholly owned by Mr. Lam.

3. Apart from a direct holding of 50,000,000 options by Ms. Cheng Hew Hong, Rebecca ("Ms. Cheng"), Ms. Cheng is deemed to be interested in 60,000,000 options held by Mega Regent Holdings Limited which is wholly owned by Ms. Cheng.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of transactions regard as continuing connected transactions and required to be disclosed as defined under the Listing Rules, are as follow:

(i) Under the investment management agreement dated 21 December 2009 (the "Investment Management Agreement") entered into between the Company and Baron Asset Management Limited, (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing from 1 January 2010 to 30 June 2011. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under the Investment Management Agreement signed on 21 December 2009, the investment management fee payable to the Investment Manager was HK$150,000 per month.

(ii) Pursuant to the consultancy agreement dated 21 December 2009 (the "Consultancy Agreement") entered into between the Company and Ms. Wan Ho Yan, Letty ("Ms. Wan"). The Company has agreed to appoint and Ms. Wan has agreed to accept the appointment as a consultant of the Company to provide consultancy services in relation to the business and operation of the Company commencing from 21 December 2009 to 30 June 2011. Ms. Wan is a substantial shareholder of the Company, and therefore is the connected person of the Company. Under the Consultancy Agreement, the consultancy fee payable to Ms. Wan was HK$1,000 per hour for each of the two years ending 31 December 2011 and the maximum aggregate annual value for each of the two years ending 31 December 2011 under the Consultancy Agreement is HK$1,000,000.

(iii) Pursuant to the sharing of administrative office agreement dated 21 December 2009 (the "Sharing of Administrative Office Agreement") entered into between the Company and Baron Asia Limited (the "Baron Asia"). During the term of the agreement, the Company is entitled to share the use of the Premises and Facilities commencing from 1 February 2010 to 30 June 2011. Baron Asia is indirectly wholly-owned by Ms. Wan, the substantial shareholder of the Company, and therefore Baron Asia is the connected person of the Company. Under the Sharing of Administrative Office Agreement, the fee payable to Baron Asia was HK$200,000 per month.

The independent non-executive Directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.38 of the Listing Rules.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for 20,000,000 new ordinary shares issued by subscription on 1 November 2010 in consideration for cash proceed.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2010, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The committee currently comprised solely of independent non-executive Directors, namely, Mr. Yeung Chun Yue, David, Mr. Siu Hi Lam, Alick and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2010.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2010.

REPORT OF THE DIRECTORS

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 68.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

AUDITORS

Messrs. HLM & Co., Certified Public Accountants acted as auditors of the Company for the years ended 31 December 2008, 2009 and 2010. A resolution will be proposed in the AGM to re-appoint HLM & Co. Certified Public Accountants as auditors of the Company.

On behalf of the Board
China Investment Fund Company Limited

William Robert Majcher
Chairman
Hong Kong, 18 March 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2010, except for the requirement that the non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

BOARD OF DIRECTORS

Composition and role

The board of directors (the "Board") of the Company comprises:

Executive Directors:	William Robert Majcher, *Chairman* Wan Chuen Hing, Alexander, *Managing Director*
Independent Non-executive Directors:	Cheng Wing Keung, Raymond Yeung Chun Yue, David Siu Hi Lam, Alick

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

CORPORATE GOVERNANCE REPORT

The Board comprises of two executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on page 6 and 7 of this annual report. Three Directors are subject to re-election at the forthcoming AGM to be held on 27 June 2011.

Out of three independent non-executive Directors, Mr. Yeung Chun Yue, David possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Board currently has two principal board committees, namely the Audit Committee and the Remuneration Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Director an annual confirmation of independence and the Company considers that all of the independent non-executive Directors are independent.

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the EGM, AGM, board meeting and committee meetings held in 2010 are set out in the following table:

	Meeting attended / held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**EGM held on 30 April 2010**	**AGM held on 28 June 2010**
Executive Directors					
William Robert Majcher	23/24	–	–	1	–
Wan Chuen Hing, Alexander	24/24	–	–	1	1
Chan Wai Lam (resigned on 5 February 2010)	2/24	–	–	–	–
Independent Non-executive Directors					
Yan Mou Keung, Ronald (resigned on 1 December 2010)	6/24	2/2	3/4	1	1
Cheng Wing Keung, Raymond	9/24	2/2	4/4	–	1
Kwong Kwan Tong (resigned on 26 April 2010)	1/24	1/2	1/4	–	–
Yeung Chun Yue, David (appointed on 26 April 2010)	6/24	1/2	3/4	–	1
Siu Hi Lam, Alick (appointed on 1 November 2010)	3/24	–	1/4	–	–

Chairman and Managing Director

The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Managing Director is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Re-election of Directors

Under the Code Provision A.4.1, non-executive Directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

Audit Committee

The Committee currently comprised solely of independent non-executive Directors, namely, Mr. Yeung Chun Yue, David (Chairman), Mr. Cheng Wing Keung, Raymond and Mr. Siu Hi Lam, Alick. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the year ended 31 December 2010.

HLM & Co., Certified Public Accountants (the "Auditors") were appointed as auditors of the Company until conclusion of the AGM. During the year, the Auditors rendered non-audit service to the Group and the Group also incurred the non-audit service fees of HK$22,000.

The Group's 2010 audited financial statements had been duly reviewed by the Audit Committee with the Auditors. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the Auditors and therefore recommends the Board that Auditors be re-appointed as our auditors in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2010 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

Remuneration Committee

The Company established the Remuneration Committee on 28 July 2005, which is currently comprised solely of independent non-executive Directors, namely, Mr. Cheng Wing Keung, Raymond, Mr. Yeung Chun Yue, David and Mr. Siu Hi Lam, Alick. Mr. Cheng Wing Keung, Raymond is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Director. Remuneration and the employment contracts of new appointing Directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of Directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit committee. The Board believes that the existing internal control system is adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the Shareholders of the Company in a timely manner. 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, fair and reasonable and prepared 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.

COMMUNICATION WITH SHAREHOLDERS

The Company has announced its annual results and interim results in a timely manner during the year. The general meeting serves as a communication channel between Directors and shareholders. During general meeting, chairman of the Board and its committees will present to answer any queries that our shareholders may have, and separate resolutions are proposed on each substantially separate issue, including the re-election of individual directors.

The notice of AGM shall be sent to all shareholders at least 21 days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular contain such detail information will be issued to the Shareholders in due course.

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西 2-12 號聯發商業中心 305 室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND COMPANY LIMITED
中國投資基金有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 67, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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.

INDEPENDENT AUDITORS' REPORT

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 profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 18 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$	2009 HK$
Revenue	6	**1,168,424**	10,679,063
Net realised gain (loss) on disposal of available-for-sale financial assets		**37,262,300**	(1,181,555)
Net realised gain on disposal of financial assets designated as held for trading		**470,910**	14,065,064
Loss on reclassification from financial assets designated as held for trading to available-for-sale financial assets		**–**	(4,125,700)
Net unrealised (loss) gain on financial assets designated as held for trading		**(2,316,300)**	3,708,200
		36,585,334	23,145,072
Other income	6	**2,552,065**	509,790
Administrative expenses		**(9,408,852)**	(5,605,685)
Finance costs	8	**–**	(105,573)
Profit before taxation		**29,728,547**	17,943,604
Taxation	9	**–**	–
Profit for the year	11	**29,728,547**	17,943,604
Dividend	12	**–**	–
EARNINGS PER SHARE	13		(restated)
– Basic (HK cents)		**10.40 cents**	6.29 cents
– Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 **HK$**	2009 HK$
Profit for the year	**29,728,547**	17,943,604
Other comprehensive (expenses) income:		
Exchange gain on translating available-for-sale financial assets	**412,732**	1,053,783
Net gain arising on revaluation of available-for-sale financial assets during the year	**407,669**	12,957,050
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	**(12,561,599)**	2,762,836
Other comprehensive (expenses) income for the year	**(11,741,198)**	16,773,669
Total comprehensive income attributable to shareholders	**17,987,349**	34,717,273

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Property, plant and equipment	14	**678,744**	715,937
Prepaid lease payments – long-term portion	15	**3,058,355**	3,144,506
Available-for-sale financial assets	16	**91,348,104**	44,917,103
		95,085,203	48,777,546
Current assets			
Prepaid lease payments – current portion	15	**86,151**	86,151
Prepayments, deposits and other receivables	17	**713,131**	19,962,367
Financial assets designated as held for trading	18	**9,872,400**	14,810,700
Cash and cash equivalents	19	**41,615,347**	44,602,638
		52,287,029	79,461,856
Current liability			
Accruals, deposit received and other payables	20	**2,512,980**	3,487,499
Net current assets		**49,774,049**	75,974,357
Net assets		**144,859,252**	124,751,903
Capital and reserves			
Share capital	21	**11,152,000**	10,952,000
Reserves	22	**133,707,252**	113,799,903
Total equity		**144,859,252**	124,751,903
Net asset value per share	13	**0.13**	0.11

The consolidated financial statements on pages 20 to 67 were approved and authorised for issue by the Board of Directors on 18 March 2011 and are signed on its behalf by:

William Robert Majcher
Director

Wan Chuen Hing, Alexander
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital HK$	Share premium HK$	Other reserve HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Retained earnings (Accumulated losses) HK$	Total HK$
At 1 January 2009	10,752,000	127,451,525	2,451,200	–	(3,711,302)	(46,577,593)	90,365,830
Issue of shares for cash by subscription	200,000	1,920,000	–	–	–	–	2,120,000
Cancellation of equity-settled arrangements	–	–	(2,451,200)	–	–	–	(2,451,200)
Other comprehensive income	–	–	–	1,053,783	15,719,886	–	16,773,669
Profit for the year	–	–	–	–	–	17,943,604	17,943,604
At 31 December 2009	10,952,000	129,371,525	–	1,053,783	12,008,584	(28,633,989)	124,751,903
Issue of shares for cash by subscription	200,000	1,920,000	–	–	–	–	2,120,000
Other comprehensive income (expenses)	–	–	–	412,732	(12,153,930)	–	(11,741,198)
Profit for the year	–	–	–	–	–	29,728,547	29,728,547
At 31 December 2010	11,152,000	131,291,525	–	1,466,515	(145,346)	1,094,558	144,859,252

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$	2009 HK$
Cash flows from operating activities		
Profit for the year	**29,728,547**	17,943,604
Adjustments for:		
Depreciation	**37,193**	37,193
Amortisation of prepaid lease payments	**86,151**	86,151
Interest income	**(5,690)**	(16,705)
Interest expenses	**–**	105,573
Cancellation of equity-settled arrangements	**–**	(2,451,200)
Net realised (gain) loss on disposal of available-for-sale financial assets	**(37,262,300)**	1,181,555
Net realised gain on disposal of financial assets designated as held for trading	**(470,910)**	(14,065,064)
Loss on reclassification from financial assets designated as held for trading to available-for-sale financial assets	**–**	4,125,700
Net unrealised loss (gain) on financial assets designated as held for trading	**2,316,300**	(3,708,200)
Operating cash flows before movements in working capital	**(5,570,709)**	3,238,607
Decrease (Increase) in prepayments, deposits and other receivables	**9,922,090**	(19,542,903)
Decrease in accruals, deposit received and other payables	**(974,519)**	(5,003,671)
Cash generated from (used in) operations	**3,376,862**	(21,307,967)
Interest paid	**–**	(105,573)
Net cash generated from (used in) operating activities	**3,376,862**	(21,413,540)
Investing activities		
Interest received	**5,690**	16,705
Deposit transfer to acquisition of available-for-sale financial assets	**9,600,000**	–
Purchase of financial assets designated as held for trading	**–**	(37,657,956)
Purchase of available-for-sale financial assets	**(75,794,412)**	(3,594,000)
Proceeds from disposal of financial assets designated as held for trading	**3,092,910**	70,221,208
Proceeds from disposal of available-for-sale financial assets	**54,611,659**	8,589,766
Net cash (used in) generated from investing activities	**(8,484,153)**	37,575,723
Financing activities		
Repayments of borrowings	**–**	(7,801,250)
Net proceeds from issue of shares	**2,120,000**	2,120,000
Net cash generated from (used in) financing activities	**2,120,000**	(5,681,250)
Net (decrease) increase in cash and cash equivalents	**(2,987,291)**	10,480,933
Cash and cash equivalents at the beginning of year	**44,602,638**	34,121,705
Cash and cash equivalents at the end of year (Note 19)	**41,615,347**	44,602,638

1. GENERAL

China Investment Fund Company Limited (the "Company") is an exempted company incorporated with limited liability in the Cayman Islands on 18 September 2001. Its registered office is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at 4/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 January 2002.

The Company is principally engaged in investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

The following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") have been applied by the Group in the current year and have affected the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements. The impact of the application of the new and revised Standards and Interpretations is discussed below.

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Amendments to HKFRS 7 Financial Instruments: Disclosures (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

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

Application of new and revised standards and interpretations *(continued)*

Amendments to HKAS 1 Presentation of Financial Statement (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for the Group's changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate, for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

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

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments and 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 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

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

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

New and revised Standards and Interpretations issued but not yet effective *(continued)*

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as a fair value through profit and 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's credit risk in the comprehensive income 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 recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactons involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

The amendments to HK (IFRIC)-Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions. As the Group has no defined benefit scheme, the amendments are unlikely to have any financial impact on the Group.

HK (IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transaction in the future, HK (IFRIC) – Int 19 will affect the required accounting. In particular, under HK (IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements for the year ended 31 December 2010 comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 income statement 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.

(b) Revenue

Revenue from sales of financial assets is recognised on a trade-date basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction 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.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful life, using the straight-line method. The estimated useful life, 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.

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

(d) Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use right is expensed in the consolidated income statement on a straight-line basis over the period of the lease.

(e) 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 transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currencies *(continued)*

- 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. Hong Kong dollars) 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 difference 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).

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

(f) 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 lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing *(continued)*

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.

(g) 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.

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". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial assets *(continued)*

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.

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

Financial assets at FVTPL

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 is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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 Financial Instruments: Recognition and Measurement 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. The net gain or loss recognised in profit or loss incorporates any dividend or interest earning on the financial asset and is included in the "other gains and losses" line item in the consolidated income statement. Fair value is determined in the manner described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including prepayments, deposits and other receivables, cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its costs 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; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For certain categories of financial asset, such as prepayments, deposits and other receivables, assets that are assessed not to be impaired individually are, in addition, 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.

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 (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 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 revered does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including accruals, deposit received and other payables) are subsequently measured at amortised cost using the effective interest method.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recongises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(k) 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) 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 income statement because of items of income or expense that are taxable or deductible in other years and 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 base 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 difference associated with investments in subsidiaries and associates, and interests in joint ventures, 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 and interests 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(m) Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

In the application of the Group's accounting policies, which are described in note 3, management 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 underlying 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Key sources of estimation uncertainty

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.

Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5, 16 and 18 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. FINANCIAL RISKS MANAGEMENT

The management of financial risks is carried out by the investment manager under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, the use of financial instruments and the investment of excess liquidity.

The Group's major financial instruments include financial assets designated as held for trading, and other investments in available-for-sale financial assets. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

5.1 Risk management

(a) Market risk

The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the board of Directors, and the investments in equity of other entities are Hong Kong listed and overseas unlisted financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as minerals, water supply and property investment and development. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2009: 15% higher/lower), profit for the year ended 31 December 2010 would increase/decrease by HK$1,480,860 (2009: increase/decrease by HK$2,221,605). This is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the available-for-sale financial assets had increased/decreased by 15% (2009: 15%) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK$13,702,216 (2009: increase/decrease by HK$6,737,565).

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk management *(continued)*

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets designated as held for trading, bank balances and amounts receivable on sale of investments.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Group considers to be well established. All transactions in listed securities are settled/ paid for upon delivery using approved and reputable brokers.

Accordingly, the Group has no significant concentration of credit risk.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profiles of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

		2010		
	On demand	**Within 1 year**	**1-3 years**	**Total**
Accruals, deposit received and other payables	**2,512,980**	**–**	**–**	**2,512,980**
	2,512,980	**–**	**–**	**2,512,980**

		2009		
	On demand	Within 1 year	1-3 years	Total
Accruals, deposit received and other payables	3,487,499	–	–	3,487,499
	3,487,499	–	–	3,487,499

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk management *(continued)*

(d) Interest rate risk

The Group's variable interest bearing bank deposits and debts are exposed to interest rate risk which is considered to be minimal.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest bearing bank deposits and debt securities, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A 100 basis point change is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2010 would decrease/increase by HK$416,153 (2009: decrease/increase by HK$446,026).

(e) Foreign currency risk

The Group has foreign currency on financial assets, which expose the Group to foreign currency risk. Approximately 39% of the Group's financial assets are denominated in currencies other than the functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	ASSETS	
	2010	2009
	HK$	HK$
EUR	**9,857**	10,519
RMB	**67**	–
CAD	**–**	3,666,588
USD	**1,141,646**	8,795,813

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD. For the currency risk of the Group's monetary assets, the exposure is mainly in HKD against USD. If the exchange rate of HKD against foreign currency has been increased/decreased by 5%, the Group's profit for the year would increase/decrease by HK$57,579 (2009: increase/decrease by HK$623,646).

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk management *(continued)*

(f) Operational risk

Operational risk is the risk of direct or indirect profit/(loss) arising from a wide variety of causes associated with the processes and technology supporting the Group's operations either internally within the Group or externally at the Group's service provider, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers and a review of the service providers' reports on internal controls, where available.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 Fair value estimation

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Available-for-sale financial assets				
Equity securities	**32,851,450**	**2,722,636**	**50,200,000**	**85,774,086**
Debt securities	**–**	**–**	**5,574,018**	**5,574,018**
	32,851,450	**2,722,636**	**55,774,018**	**91,348,104**

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Financial assets designated as held for trading				
Equity securities	**9,872,400**	**–**	**–**	**9,872,400**
Debt securities	**–**	**–**	**–**	**–**
	9,872,400	**–**	**–**	**9,872,400**

Equity securities amounting to HK$7,845,123 were transferred from level 2 to level 1 in the reporting period upon having established that these equity securities are listed in New York Stock Exchange.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 Fair value estimation *(continued)*

Level 3 movement table

Financial assets	**Available-for-sale financial assets**	
	Unquoted equity securities HK$	**Debt securities HK$**
At 1 January 2010	**–**	**7,384,240**
Disposals	**–**	**(2,221,812)**
Additions	**50,200,000**	**–**
Gain on exchange	**–**	**411,590**
At 31 December 2010	**50,200,000**	**5,574,018**
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2010	**–**	**–**

	2009			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Available-for-sale financial assets				
Equity securities	35,807,123	1,725,740	–	37,532,863
Debt securities	–	–	7,384,240	7,384,240
	35,807,123	1,725,740	7,384,240	44,917,103

	2009			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets designated as held for trading				
Equity securities	14,810,700	–	–	14,810,700
Debt securities	–	–	–	–
	14,810,700	–	–	14,810,700

Level 3 movement table

Financial assets	Available-for-sale financial assets
	Debt securities HK$
At 1 January 2009	8,927,590
Disposals	(2,595,970)
Gain on exchange	1,052,620
At 31 December 2009	7,384,240
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2009	–

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.3 CLASSIFICATIONS AND FAIR VALUE OF CURRENT FINANCIAL ASSETS AND CURRENT LIABILITIES

The table below provided a reconciliation of the line items in the statement of financial position to the categories of financial instruments.

At 31 December 2010	Held for trading HK$	Designated at fair value through profit or loss HK$	Loan and receivables HK$	Other assets/ liabilities HK$	Total carrying amount HK$
Prepaid lease payments - current portion	–	–	–	86,151	86,151
Prepayments, deposits and other receivables	–	–	713,131	–	713,131
Financial assets designated as held for trading	9,872,400	–	–	–	9,872,400
Cash and cash equivalents	–	–	41,615,347	–	41,615,347
	9,872,400	–	42,328,478	86,151	52,287,029
Accruals, deposit received and other payables	–	–	–	2,512,980	2,512,980
	–	–	–	2,512,980	2,512,980
At 31 December 2009					
Prepaid lease payments - current portion	–	–	–	86,151	86,151
Prepayments, deposits and other receivables	–	–	19,962,367	–	19,962,367
Financial assets designated as held for trading	14,810,700	–	–	–	14,810,700
Cash and cash equivalents	–	–	44,602,638	–	44,602,638
	14,810,700	–	64,565,005	86,151	79,461,856
Accruals, deposit received and other payables	–	–	–	3,487,499	3,487,499
	–	–	–	3,487,499	3,487,499

6. REVENUE AND OTHER INCOME

The Group is principally engaged in investing in listed and unlisted financial assets. Revenue represents interest income and dividend income from financial assets.

An analysis of revenue and other income is as follows:

	2010 **HK$**	2009 HK$
Interest income from:		
– Deposits in financial institutions	**5,690**	16,705
– Available-for-sale financial assets	**383,076**	788,730
Dividend income from:		
– Financial assets designated as held for trading	**170,506**	9,873,628
– Available-for-sale financial assets	**609,152**	–
Revenue	**1,168,424**	10,679,063
Other income		
– Exchange gain	**100,865**	509,790
– Forfeited deposits on termination of equity-settled arrangements	**2,451,200**	–
	2,552,065	509,790

7. SEGMENT INFORMATION

During the years ended 31 December 2010 and 2009 respectively, the Group's revenue were mainly derived from the interest income and dividend income from investments. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The group's segment revenue, assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		Others		Consolidated	
	2010 HK$	2009 HK$	**2010 HK$**	2009 HK$	**2010 HK$**	2009 HK$
Segment revenue:						
Interest income from bank deposits	**5,690**	16,705	**–**	–	**5,690**	16,705
Interest income from available-for-sale financial assets	**–**	178,831	**383,076**	609,899	**383,076**	788,730
Dividend received	**170,506**	9,264,528	**609,152**	609,100	**779,658**	9,873,628
	176,196	9,460,064	**992,228**	1,218,999	**1,168,424**	10,679,063
Segment assets	**92,835,727**	113,010,039	**54,536,505**	15,229,363	**147,372,232**	128,239,402
Unallocated assets					**–**	–
Total assets					**147,372,232**	128,239,402
Total liabilities					**2,512,980**	3,487,499
Other information						
Additions to non-current assets					**–**	–

8. FINANCE COSTS

	2010 HK$	2009 HK$
Interest on:		
Bank loans wholly repayable within one year	**–**	105,573

9. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years

No provision for Hong Kong profit tax is required since the group has no assessable profits for the year. Tax losses carried forward amount to approximately HK$47,969,287.

The tax expense for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2010 **HK$**	2009 HK$
Profit before taxation	**29,728,547**	17,943,604
Tax calculated at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**4,905,210**	2,960,694
Tax effect of income not taxable for tax purpose	**(7,238,668)**	(1,631,905)
Tax effect of expenses not deductible for tax purpose	**1,029,553**	718,320
Tax effect of deductible temporary differences not recognised	**(214)**	(268)
Tax effect of tax losses not recognised	**1,304,119**	36,565
Utilisation of tax losses previously not recognised	**–**	(2,083,406)
Tax expense for the year	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note 25.

10. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	2010			
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive directors				
Chan Wai Lam (Note1)	–	117,000	2,000	119,000
William Robert Majcher	–	720,000	–	720,000
Wan Chuen Hing, Alexander	–	340,000	13,000	353,000
Independent non-executive directors				
Kwong Kwan Tong (Note 2)	29,000	–	–	29,000
Yau Mou Keung, Ronald (Note 3)	82,500	–	–	82,500
Cheng Wing Keung, Raymond	90,000	–	–	90,000
Yeung Chun Yue, David (Note 4)	61,250	–	–	61,250
Siu Hi Lam, Alick (Note 5)	15,000	–	–	15,000
	277,750	1,177,000	15,000	1,469,750

10. DIRECTORS' REMUNERATION *(continued)*

(a) *(continued)*

	2009			
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive directors				
Chan Wai Lam	–	471,000	12,000	483,000
Wan Ho Yan, Letty	–	760,645	12,000	772,645
William Robert Majcher	–	720,000	–	720,000
Wan Chuen Hing, Alexander	–	20,000	–	20,000
Independent non-executive directors				
Kwong Kwan Tong	90,000	–	–	90,000
Yan Mou Keung, Ronald	90,000	–	–	90,000
Cheng Wing Keung, Raymond	90,000	–	–	90,000
	270,000	1,971,645	24,000	2,265,645

Notes:

(1) Resigned on 5 February 2010

(2) Resigned on 26 April 2010

(3) Resigned on 1 December 2010

(4) Appointed on 26 April 2010

(5) Appointed on 1 November 2010

The above directors' fee, salaries, allowances and benefits in kind and mandatory provident fund contributions were paid to all directors, executives and non-executives, in respect of their duties and responsibilities with the Group and the prevailing market value.

There was no arrangement under which a director waived or agreed to waive any remuneration during both years ended 31 December 2010 and 2009.

10. DIRECTORS' REMUNERATION *(continued)*

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, 3 (2009: 3) were directors of the Company whose emoluments are included in the disclosures in note 10(a) above. The emolument of the remaining 2 employees (2009: 2) were as follows:

	2010	2009
	HK$	HK$
Basic salaries and other benefits	**486,838**	471,395
Mandatory provident fund contributions	**21,243**	20,841
Total emoluments	**508,081**	492,236

The aggregate emoluments of each of the employees during the year were within the emoluments band ranging from nil to HK$1,000,000.

11. PROFIT FOR THE YEAR

	2010	2009
	HK$	HK$
The Group's profit for the year has been arrived at after charging:		
Directors' remuneration (Note 10):		
Fees	**277,750**	270,000
Other emoluments	**1,177,000**	1,971,645
Provident fund contributions	**15,000**	24,000
Staff costs		
Salaries	**508,902**	471,395
Provident fund contributions	**21,243**	20,841
Total staff costs (including directors' remuneration)	**1,999,895**	2,757,881
Auditors' remuneration		
Current year	**100,000**	90,000
Investment management fees	**1,800,000**	780,000
Depreciation on property, plant and equipment	**37,193**	37,193
Amortisation of prepaid lease payments	**86,151**	86,151
Operating lease rentals of land and buildings	**2,280,000**	960,000
And after crediting:		
Exchange gain	**100,865**	509,790

12. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2010 (2009: nil).

13. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK$144,859,252 (2009: HK$124,751,903) by the number of shares in issue as at 31 December 2010, being 1,115,200,000 (2009: 1,095,200,000).

Earnings per share

The calculation of the basic earnings per share is based on the net profit for the year of HK$29,728,547 (2009: HK$17,943,604) and the weighted average number of 285,981,627 (2009 (restated): 285,111,488) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the consolidation of shares and the open offer after the reporting period. The diluted earnings per share is not presented because there were no potential dilutive shares during the both years ended 31 December 2010 and 2009.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	**Buildings** HK$	**Total** HK$
COST			
At 1 January 2009 and 31 December 2009, at 1 January 2010 and 31 December 2010	36,580	746,935	783,515
DEPRECIATION AND IMPAIRMENT			
At 1 January 2009	5,487	24,898	30,385
Charge for the year	7,316	29,877	37,193
At 31 December 2009 and at 1 January 2010	12,803	54,775	67,578
Charge for the year	7,316	29,877	37,193
At 31 December 2010	20,119	84,652	104,771
NET BOOK VALUE			
At 31 December 2010	16,461	662,283	678,744
At 31 December 2009	23,777	692,160	715,937

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	4%
Leasehold improvements	20%

An independent valuation of the Group's land and buildings was performed by Messrs. Asset Appraisal Limited, an independent professional valuer, to determine the fair value of the land and buildings as at 31 December 2010. The valuation was arrived at by reference to recent market transactions on arm's length terms.

15. PREPAID LEASE PAYMENTS

	2010 **HK$**	2009 HK$
The Group's prepaid lease payments comprise of leasehold land in Hong Kong under medium-term lease:		
Movement during the year:		
Balance as at 1 January	**3,230,657**	3,316,808
Amortisation for the year	**86,151**	86,151
Balance as at 31 December	**3,144,506**	3,230,657
Analysed for reporting purposes as:		
Current assets	**86,151**	86,151
Non-current assets	**3,058,355**	3,144,506
	3,144,506	3,230,657

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 **HK$**	2009 HK$
Overseas convertible debentures, at cost (note a)	**5,574,018**	7,384,240
Less: fair value adjustment (note e)	**–**	–
	5,574,018	7,384,240
Unlisted equity securities, at cost (note b)	**53,232,858**	2,329,717
Less: fair value adjustment (note e)	**(310,222)**	(603,977)
	52,922,636	1,725,740
Equity securities listed in Overseas, at cost (note c)	**26,874,974**	7,794,162
Add: fair value adjustment	**164,876**	50,961
	27,039,850	7,845,123
Equity securities listed in Hong Kong, at cost (note d)	**5,811,600**	15,400,400
Add: fair value adjustment	**–**	12,561,600
	5,811,600	27,962,000
Total	**91,348,104**	44,917,103

Notes:

(a) In 2008, the Group acquired convertible debenture in Jordan Ventures Ltd. ("JVL") at CAD1,000,000. JVL is a company incorporated on 26 November 2007. One of the terms and conditions in the convertible debenture agreement stated that the repayment date is 6 months subsequent to being demanded by the registered holder provided that such demand may not be made until after 12 months from the opening of head office of JVL. Subject to the borrower's right to redeem the debentures at any time after the demand date, or after the redemption notice, the outstanding principle amount of a debenture may be converted, at the sole option of the registered holder by giving notice of conversion to the borrower, into common shares of the borrower at a price per conversion share calculated based on the net book value of the borrower at the month end following the notice of conversion. The interest rate of the convertible debenture is at the prime rate (charged by Canadian Imperial Bank of Commerce) per annum paid monthly to the registered holder. The overseas convertible debenture investments are stated at cost because there are no quoted market prices for such overseas convertible debenture investments. In December 2010, the Group has received CAD 250,000 for repayment of the convertible debenture, and the remaining amount has extended to be repaid until 24 February 2012. After the reporting period, the Group has further received CAD 35,000 as repayment of the convertible debenture. In addition, the variability in the range of reasonable fair value estimated is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes: *(continued)*

(b) In 2007, the Company entered into an agreement with a merchant bank Coutts Bank to acquire Coutts Private Equity Limited Partnership ("CPELP"). The investment objective of the Partnership is to seek medium to long term capital appreciation. CPELP offers the Company to access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities.

In 2010, the Group acquired unlisted equity securities being 12.5% equity interest in Fame Oriented Holdings Limited for a consideration of HK$19,200,000, and is principally engaged in minerals exploitation. The group also acquired unlisted equity securities being 29% equity interest in Bollex Development Limited ("Bollex") for a consideration of HK$31,000,000, and is principally engaged in water supply. In the opinion of the Directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Bollex. Accordingly, Bollex has been accounted for as an available-for-sale financial assets. The market for these financial assets are not active, the Group establishes the value by references provided by the financial institutions. These include the use of recent arm's length transaction and reference to other instruments that are substantially the same.

(c) In 2008, the Group acquired listed equity securities being 38,450 shares of 8.125% preferred shares in The Hong Kong and Shanghai Banking Corporation Limited. The market for these financial assets are active, and fair values are determined with reference to quoted market bid prices.

In 2010, the Group acquired overseas listed equity securities being 4,818,515 shares of 7.5% equity interest in China Private Equity Investment Holdings Limited ("CPE") for a consideration of USD2,457,443 (approximately HK$19,080,813). The Company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group.

For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of CPE was approximately USD2,532,000 and the basic earnings per share was USD24 cents. At 31 December 2009, the audited consolidated net asset value of the CPE was approximately USD27,423,000. No dividend was received during the year.

(d) In 2010, the Group acquired listed equity securities being 16,700,000 shares of 1.25% equity interest in the Sino Resources Group Limited ("Sino Resources") for a consideration of HK$5,811,600 and which is principally engaged in providing show manager of exhibitions and trade shows as well as providing ancillary services.

For the year ended 31 March 2010, the audited consolidated loss from ordinary activities attributable to shareholders of Sino Resources was approximately HK$837,736,000 and the basic loss per share was HK77 cents. At 31 March 2010, its audited consolidated net liabilities value was approximately HK$303,620,000. No dividend was received during the year.

(e) The Directors conducted a review of the Group's available-for-sale investments during the year and determined that the fair value adjustment based on estimated recoverable amount of available-for-sale financial assets.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 HK$	2009 HK$
Prepayments		
– Investments in available-for-sale financial assets	**–**	19,540,000
– Others	**303,594**	286,530
Deposits	**5,590**	5,590
Interest receivables	**877**	–
Dividend receivables	**130,216**	130,247
Other receivables	**272,854**	–
	713,131	19,962,367

18. FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

	2010 **HK$**	2009 HK$
Non-pledged financial asset at fair value through profit or loss		
Held for trading assets:		
– Equity securities listed in Hong Kong, at market value	**9,872,400**	14,810,700

Fair values are determined with reference to quoted market bid prices.

As at 31 December 2010, financial assets designated as held for trading included the following investments:

Name of investee company	Number of shares held	Proportion of investee's company capital owned	Carrying value HK$	Market value HK$	Unrealised loss arising on revaluation HK$	Dividend received receivable during the year HK$
(a) Sino Resources Group Limited	26,500,000	1.98%	11,527,500	9,222,000	(2,305,500)	–
(b) Sinopharm Group Company Limited	24,000	0.00%	661,200	650,400	(10,800)	139

A brief description of the business and financial information of the listed investee companies which represents all of the Group's assets, which are extracted from their latest published annual reports is as follows:

Notes:

(a) Sino Resources Group Limited ("Sino Resources") is principally engaged in providing show manager of exhibitions and trade shows as well as providing ancillary services.

For the year ended 31 March 2010, the audited consolidated loss from ordinary activities attributable to shareholders of Sino Resources was approximately HK$837,736,000 and the basic loss per share was HK77 cents. At 31 March 2010, its audited consolidated net liabilities value was approximately HK$303,620,000. No dividend was received during the year.

(b) Sinopharm Group Company Limited ("Sinopharm") is principally engaged in pharmaceutical products, laboratory supplies and operation of pharmaceutical chain stores.

For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Sinopharm was approximately RMB845,819,000 and the basic earnings per share was RMB0.47. As 31 December 2009, its audited consolidated net asset value was approximately RMB10,910,856,000. Dividend received was approximately HK$139 during the year.

19. CASH AND CASH EQUIVALENTS

	2010 **HK$**	2009 HK$
Deposits with banks and other financial institutions	**20,000,307**	10,519
Cash at bank and in hand	**21,615,040**	44,592,119
	41,615,347	44,602,638

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2010	2009
EUR Dollars	**EUR947**	EUR945
US Dollars	**USD146,856**	USD1,134,387
CAD Dollars	**–**	CAD496,542
RMB	**RMB57**	–

20. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES

	2010 **HK$**	2009 HK$
Accrued expenses	**312,980**	136,299
Deposit received in respect of subscription of the Company's shares	**2,200,000**	3,351,200
	2,512,980	3,487,499

21. SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	2010	2009	**2010 HK$**	2009 HK$
Authorised:				
At 1 January	**1,500,000,000**	1,500,000,000	**15,000,000**	15,000,000
Increase in authorised share capital	**1,500,000,000**	–	**15,000,000**	–
At 31 December	**3,000,000,000**	1,500,000,000	**30,000,000**	15,000,000

	Note	Number of shares of HK$0.01 each	HK$
Issued and fully paid:			
At 1 January 2009		1,075,200,000	10,752,000
Issue of shares for cash by subscription		20,000,000	200,000
At 31 December 2009 and 1 January 2010		1,095,200,000	10,952,000
Issue of shares for cash by subscription	a	**20,000,000**	**200,000**
At 31 December 2010		**1,115,200,000**	**11,152,000**

During the year, the movement in the Company's share capital is as follows:

(a) On 1 November 2010, the Company had issued and allotted 20,000,000 new shares at HK$0.106 by subscription.

22. RESERVES

	Share premium HK$	Other reserve HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Retained earnings (Accumulated losses) HK$	Total HK$
At 1 January 2009	127,451,525	2,451,200	–	(3,711,302)	(46,577,593)	79,613,830
Issue of shares for cash by subscription	1,920,000	–	–	–	–	1,920,000
Cancellation of equity-settled arrangements	–	(2,451,200)	–	–	–	(2,451,200)
Other comprehensive income						
– Exchange gain on translating available-for-sale financial assets	–	–	1,053,783	–	–	1,053,783
– Net gain arising on revaluation of available-for-sale financial assets	–	–	–	12,957,050	–	12,957,050
– Reclassification adjustment relating to available-for-sale financial asset disposed of	–	–	–	2,762,836	–	2,762,836
Profit for the year	–	–	–	–	17,943,604	17,943,604
At 31 December 2009 and at 1 January 2010	129,371,525	–	1,053,783	12,008,584	(28,633,989)	113,799,903
Issue of shares for cash by subscription	1,920,000	–	–	–	–	1,920,000
Other comprehensive income (expenses)						
– Exchange gain on translating available-for-sale financial assets	–	–	412,732	–	–	412,732
– Net gain arising on revaluation of available-for-sale financial assets	–	–	–	407,669	–	407,669
– Reclassification adjustment relating to available-for-sale financial asset disposed of	–	–	–	(12,561,599)	–	(12,561,599)
Profit for the year	–	–	–	–	29,728,547	29,728,547
At 31 December 2010	131,291,525	–	1,466,515	(145,346)	1,094,558	133,707,252

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 December 2001. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceeding 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Scheme at any time during the five-year period commencing on the date upon which the option is accepted by the grantee and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceeding the date of grant; and (iii) the nominal value of a share.

The Scheme will remain in force for a period of 10 years commencing on 3 December 2001.

No option had been granted or agreed to be granted under the Scheme from the date of adoption of the Scheme.

24. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group ("the employer") and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

25. DEFERRED TAXATION

At the end of the reporting period, the Group has estimated unrecognised tax losses of approximately HK$47,969,287 (2009: HK$40,065,534) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits could not be reasonably assessed. The tax losses do not expire under the current tax legislation.

The Group and the Company had no material unprovided deferred tax liabilities at the end of the reporting period (2009: nil).

26. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

(a)

	Notes	**2010 HK$**	2009 HK$
Investment management fees paid to			
Baron Asset Management Limited	(i)	**1,800,000**	780,000
Rental expenses paid to			
Baron International Consulting Services Limited	(ii)	**–**	400,000
Baron Asia Limited	(ii)	**2,280,000**	560,000
Consultancy fee paid to			
Ms. Wan Ho Yan, Letty	(iii)	**581,000**	–
Financial advisory fee paid to			
Baron Capital Limited	(iv)	**200,000**	–
Acquisition for Available-for-sale financial assets paid to			
Baron Natural Resources Holdings Limited	(v)	**19,200,000**	–

26. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) Pursuant to the investment management agreement entered into between Baron Asset Management Limited and the Company dated 21 December 2009, Baron Asset Management Limited was appointed as the investment manager of the Company with the management fee of HK$150,000 per month from 1 January 2010 to 30 June 2011.

(ii) Pursuant to a tenancy agreement between the Company and Baron Asia Limited signed on 1 June 2009, Baron Asia Limited has leased office premises to the Group commencing on 1 June 2009 for a monthly rental HK$80,000.

A sharing of administrative office agreement between the Company and Baron Asia Limited was signed on 21 December 2009, the rental expense is increased to HK$ 200,000 per month commencing on 1 February 2010. The term is from 1 February 2010 to 30 June 2011. Ms. Wan Ho Yan, Letty, the substantial shareholder of the Company, is the ultimate beneficial owner of Baron Asia, and therefore is a connected person of the Company.

(iii) Ms Wan Ho Yan, Letty was appointed as a consultant from 21 December 2009. Her duties shall faithfully and diligently perform such duties and exercise such powers consistent with the office and shall follow the reasonable and lawful directions of and comply with all resolutions from time to time of the Board. The remuneration shall not exceed HK$1,000,000 for each of the financial years and the service period will be expired on 30 June 2011. Ms. Wan Ho Yan, Letty, is a former Director of the Company and she is one of the Company's substantial shareholders.

(iv) Baron Capital Limited was appointed as a financial advisor for proposed share consolidation, proposed change of board lot size, proposed increase authorised share capital and proposed open offer with financial advisory fee of HK$500,000 totally. Mr. Wan Chuen Chung, Joseph, the ultimate beneficial owner of Baron Capital, is the father of Ms. Wan Ho Yan, Latty, a substantial shareholder of the Company, and therefore is the connected person of the Company.

(v) Pursuant to the agreement dated 21 December 2009 between the Company and Baron Natural Resources Holdings Limited, the Company will purchase 12.5% equity interest in Fame Oriented Holdings Limited from Baron Natural Resources Holdings Limited ("Baron Natural Resources") for a total consideration HK$ 19,200,000. Baron Natural Resources is a company indirectly wholly-owned by Ms. Wan Ho Yan, Letty.

(b) Remuneration for key management personnel, representing amounts paid to the Company's Directors as disclosed in note 10(a) is as follows:

	2010 **HK$**	2009 HK$
Directors' fee	**277,750**	270,000
Salaries, allowance and benefits in kind	**1,177,000**	1,971,645
Mandatory provident fund contributions	**15,000**	24,000
	1,469,750	2,265,645

27. LEASE COMMITMENTS

The Group as lessee

As at 31 December 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2010 **HK$**	2009 HK$
Within one year	**1,200,000**	400,000

Operating lease payments represent rentals payable by the Group for certain of its office properties.

28. INTERESTS IN SUBSIDIARIES

	2010 **HK$**	2009 HK$
Unlisted shares, at cost	**32**	32
Amounts due from subsidiaries	**34,828,762**	13,681,168
	34,828,794	13,681,200

Name	**Place of incorporation/ operation**	**Particulars of issued and paid-up share capital**	**Percentage of equity attributable to the Company**	**Principal activity**
On Kong Group Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Timful International Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Delux Famous Business Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Long Term Aim Holdings Limited (formerly known as Speculation Expert Holdings Limited)	British Virgin Islands	1 share of US$1 each	100%	Investment holdings

29. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company includes:

	2010 HK$	2009 HK$
Non-current assets		
Interests in subsidiaries (note 28)	**34,828,794**	13,681,200
Available-for-sale financial assets	**41,267,291**	21,652,103
	76,096,085	35,333,303
Current assets		
Prepayments, deposits and other receivables	**707,541**	19,956,777
Financial assets designated as held for trading (note 18)	**9,872,400**	14,810,700
Cash and cash equivalents	**41,615,339**	44,602,630
	52,195,280	79,370,107
Current liabilities		
Accruals, deposit received and other payables	**2,512,910**	3,487,499
Amounts due to subsidiaries	**26,038,027**	2,404,107
	28,550,937	5,891,606
Net current assets	**23,644,343**	73,478,501
Net assets	**99,740,428**	108,811,804
Capital and reserves		
Share capital (note 21)	**11,152,000**	10,952,000
Reserves	**88,588,428**	97,859,804
Total equity	**99,740,428**	108,811,804

30. EVENTS AFTER THE REPORTING PERIOD

Capital reorganisation and open offer

On 15 December 2010, the Company made an announcement regarding the proposed capital reorganisation and open offer. Under the proposed capital reorganisation, five existing shares will be consolidated into one consolidated share. According to the proposed open offer, two offer shares will be issued for every one consolidated share at subscription price of HK$0.15 per offer share. The proposed arrangements were approved by independent shareholders in extraordinary general meeting held on 8 February 2011. The capital reorganisation has become effective after close of business day on 15 February 2011, the authorised capital of the Company will be HK$200,000,000 divided into 4,000,000,000 consolidated shares and the issued share capital of the Company will be HK$12,752,000 divided into approximately 255,040,000 consolidated shares. Further details of the proposed arrangements are set out in the circular of the Company dated 19 January 2011 and the prospectus of the Company dated 15 February 2011.

31. COMPARATIVE FIGURES

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

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December

	2010 HK$	2009 HK$	2008 HK$	2007 HK$	2006 HK$
Results					
Revenue	**1,168,424**	10,679,063	1,945,647	2,349,010	1,221,619
Profit (loss) before taxation	**29,728,547**	17,943,604	(43,460,242)	7,947,793	19,328,745
Taxation	**–**	–	–	–	–
	29,728,547	17,943,604	(43,460,242)	7,947,793	19,328,745
Assets and Liabilities					
Total assets	**147,372,232**	128,239,402	106,658,250	115,537,030	73,524,416
Total liabilities	**(2,512,980)**	(3,487,499)	(16,292,420)	(156,616)	(233,963)
Net assets	**144,859,252**	124,751,903	90,365,830	115,380,414	73,290,453
Share capital	**11,152,000**	10,952,000	10,752,000	8,000,000	4,800,000
Reserves	**133,707,252**	113,799,903	79,613,830	107,380,414	68,490,453
	144,859,252	124,751,903	90,365,830	115,380,414	73,290,453
Earnings (loss) per share		(restated)			
– Basic	**10.40 HK cents**	6.29 HK cents	(4.64) HK cents	1.09 HK cents	2.80 HK cents
– Diluted	**N/A**	N/A	N/A	N/A	N/A