



Annual Report **2010**

# Earnest

**Investments Holdings Limited**

(Continued into Bermuda with limited liability)

(stock code: 339)

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHAN Chak Paul  
Mr. NGAI Wah Sang  
Mr. WANG Daming

### Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen  
Mr. TAN Yee Boon  
Mr. WANG Jia Hua

## COMPANY SECRETARY

Ms. CHUI Yee Man

## AUDITOR

Messrs. RSM Nelson Wheeler  
Certified Public Accountants

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

Units 801-802  
8/F., Ginza Square  
565-567 Nathan Road  
Kowloon, Hong Kong

## STOCK CODE

339

## INVESTMENT MANAGER

Success Talent Investments Limited

## DIRECTORS OF THE INVESTMENT MANAGER

Mr. LEE Kwok Leung  
Mr. CHOI Wai Yin

## AUDIT COMMITTEE

Mr. CHAN Francis Ping Kuen  
Mr. TAN Yee Boon  
Mr. WANG Jia Hua

## PRINCIPAL REGISTRAR

Appleby Management (Bermuda) Limited  
Argyle House  
41A Cedar Avenue  
PO Box HM 1179  
Hamilton HM 12  
Bermuda

## BRANCH REGISTRAR

Tricor Tengis Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL BANKER

Hang Seng Bank

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Appropriations

For the year ended 31 December 2010, the Company recorded a turnover of approximately HK\$1.8 million (2009: HK\$3.9 million), net profit attributable to owners of approximately HK\$13 million (2009: HK\$16 million), and basic earnings per share of HK\$0.158 (2009: HK\$0.195). The decrease in turnover was mainly due to the decrease in trading of listed securities and also the disposal of available-for-sale financial assets. The decrease in net profit for the year was mainly due to the decrease in unrealised holding gains from Hong Kong listed securities.

### Business Review

For the year ended 31 December 2010, the Company had not made any new investment other than Hong Kong listed securities. During the year, the Company had recorded a net unrealised holding gain of approximately HK\$16 million on its share portfolio. As a result, the carrying value of the Company's share portfolio had increased to approximately HK\$48 million as at 31 December 2010. The Board will be cautious in our share trading activity considering recent global economic atmosphere and a high volatile share market.

During the year, the Company received a dividend of HK\$400,000 from an investee company engaged in sourcing and trading of pharmaceutical products. The Company had disposed of an unlisted investment engaged in manufacturing and trading of printed circuit board at HK\$500,000.

As at 31 December 2010, approximately 87% (2009: 79%) of the Company's investments were in a portfolio of Hong Kong listed securities, 1% (2009: 3%) in the equity interests of unlisted companies, 1% (2009: 1%) in other assets and the remaining 11% (2009: 17%) in cash which was deposited with banks in Hong Kong.

### Liquidity, Financial Resources and Funding

For the year under review, the Company generally financed its operations and investment activities by internal resources. As at 31 December 2010, the net asset value of the Company amounted to HK\$53,523,989 (2009: HK\$40,716,401) with net asset value per share of HK\$0.66 (2009: HK\$0.50).

The Company's total liabilities mainly consisted of deferred tax liabilities and had no other significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total owners' funds, was 0.025 as at 31 December 2010 (2009: 0.004).

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at the end of the reporting period and had minimal exposure to foreign exchange risk.

## CHAIRMAN'S STATEMENT

### Employees

During the year, the Company did not employ any employees other than the Directors of the Company and total staff costs for the year amounted to HK\$398,400 (2009: HK\$355,200). The Company's remuneration policies are in line with the prevailing market practice.

### Charges on the Company's Assets and Contingent Liabilities

As at 31 December 2010, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

### Prospects

The Board will manage its existing investments in accordance with the Company's investment objectives and will continue to identify and capture investment opportunities as and when they arise.

### Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support, and the Investment Manager for their dedicated efforts.

### Chan Chak Paul

*Chairman*

Hong Kong, 28 March 2011

# BIOGRAPHICAL DETAILS OF DIRECTORS

## Executive Directors

**Mr. CHAN Chak Paul**, aged 50, was appointed as an Executive Director on 19 November 2001 and as the Chairman of the Board on 30 December 2004. Mr. CHAN is responsible for general corporate management. He has extensive experience in trading industries and China investments.

**Mr. NGAI Wah Sang**, aged 52, was appointed as an Executive Director on 2 January 2003, as the Chief Executive Officer on 22 August 2005 and as Deputy Chairman of the Board on 13 September 2007. Mr. NGAI is a fellow member of both The Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. Mr. NGAI has extensive experience in dealing with business development and investment in both Hong Kong and the People's Republic of China (the "PRC").

**Mr. WANG Daming**, aged 50, was appointed as an Executive Director on 17 May 2002. Mr. WANG holds a Bachelor's Degree in Economics from the PRC and has extensive experience in finance. He formerly worked for the Agricultural Bank of China and a number of China enterprises and Sino-Foreign Joint Venture companies of various industries including financial services and information technology. Mr. WANG was qualified as Assistant Economist of the PRC in 1987, and then as Economist and Senior Economist in 1990 and 1996 respectively.

## Independent Non-executive Directors

**Mr. CHAN Francis Ping Kuen**, aged 52, was appointed as an Independent Non-executive Director on 7 February 2005. Mr. CHAN holds a Bachelor's Degree in Economics from Australia. He is an associate member of The Institute of Chartered Accountants in Australia and also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has over 20 years of experience in auditing, accounting and financial management.

**Mr. Tan Yee Boon**, aged 35, was appointed as an Independent Non-executive Director on 1 June 2009. Mr. TAN holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice in Malaysia and was admitted as an advocate and solicitor of the High Court of Malaya. Mr. TAN possesses extensive experience in the field of commercial and corporate practice.

**Mr. WANG Jia Hua**, aged 48, was appointed as an Independent Non-executive Director on 6 November 2009. Mr. WANG has extensive experience in the securities industry in the PRC. Mr. WANG was involved in the restructuring and merger and acquisition activities of several listed companies in the PRC and has extensive practical experience in the securities investment, assets management and risk control management of the securities market.

# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the audited financial statements of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2010.

## PRINCIPAL ACTIVITY

The Company is an investment company engaged principally in investment and trading of listed and unlisted companies.

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China.

## MAJOR CUSTOMERS AND SUPPLIERS

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

## RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2010 and the state of the Company's affairs as at that date are set out in the financial statements on pages 18 and 19 respectively.

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

## RESERVES

The movements in the reserves of the Company during the year are set out in the statement of comprehensive income and statement of changes in equity.

At 31 December 2010, the reserves available for distribution to shareholders pursuant to the Companies Act 1981 of Bermuda amounted to HK\$46,143,989 (2009: HK\$33,336,401).

## FINANCIAL SUMMARY

The following tables summarise the results, assets and liabilities of the Company for each of the five years ended 31 December 2010:

### Results

	2010 HK\$	Year ended 31 December			
		2009 HK\$	2008 HK\$	2007 HK\$	2006 HK\$
Turnover	<b>1,829,030</b>	3,922,747	813,482	23,433,835	198,691
Profit/(loss) before tax	<b>13,949,850</b>	15,774,313	(118,052,760)	111,515,381	(2,574,681)
Income tax (expense)/credit	<b>(1,142,262)</b>	–	14,371,265	(14,371,265)	–
Profit/(loss) for the year attributable to owners of the Company	<b>12,807,588</b>	15,774,313	(103,681,495)	97,144,116	(2,574,681)

### Assets and liabilities

	2010 HK\$	As at 31 December			
		2009 HK\$	2008 HK\$	2007 HK\$	2006 HK\$
Total assets	<b>54,876,251</b>	40,894,401	25,134,288	143,256,649	31,662,188
Total liabilities	<b>(1,352,262)</b>	(178,000)	(192,200)	(14,633,066)	(182,721)
Total equity	<b>53,523,989</b>	40,716,401	24,942,088	128,623,583	31,479,467

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 15 and 16 to the financial statements respectively.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders at the annual general meeting held on 26 May 2006 (the "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. Pursuant to the Scheme the Board may at its discretion, subject always to any limits and restrictions specified in the Listing Rules, offer to grant an option to any participant; impose terms and conditions; and determine such number of shares to be subscribed for at the option price.

The minimum option price for any option granted under the Scheme shall not be less than the higher of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the shares in issue as at the Adoption Date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed 30% of the shares in issue from time to time.

During the year, no option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option as at 31 December 2010.

## DIRECTORS

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

### Executive Directors

Mr. CHAN Chak Paul (*Chairman*)

Mr. NGAI Wah Sang (*Deputy Chairman and Chief Executive Officer*)

Mr. WANG Daming

### Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen

Mr. TAN Yee Boon

Mr. WANG Jia Hua

Mr. Benny LUI – resigned on 30 November 2010

In accordance with the Company's Bye-Laws, Mr. CHAN Chak Paul and Mr. CHAN Francis Ping Kuen will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2010, no share option was granted to directors under the Scheme.

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

At no time during the year was the Company a party to any arrangements to enable the Directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the shares and underlying shares of the Company:

Name of shareholder	Number of shares held	Percentage of total shares in issue as at 31 December 2010
Winsome Worldwide Limited ( <i>note 1</i> )	22,275,000*	27.50%
SIU Kwan ( <i>note 1</i> )	22,275,000#	27.50%
YAU Mei Han	14,051,250*	17.35%
Supreme Zone Investments Limited ( <i>note 2</i> )	11,812,500*	14.58%
KEUNG Kwai Yung ( <i>note 2</i> )	11,812,500#	14.58%

\* Beneficial owner

# Interest of controlled corporation

Notes:

- (1) The 22,275,000 shares were held by Winsome Worldwide Limited which was wholly owned by Ms. SIU Kwan. By virtue of the SFO, Ms. SIU Kwan was deemed to be interested in the 22,275,000 shares.
- (2) The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Ms. KEUNG Kwai Yung. By virtue of the SFO, Ms. KEUNG Kwai Yung was deemed to be interested in the 11,812,500 shares.

All the interests disclosed above represent long position in the ordinary shares of the Company.

Save as disclosed above, no other person had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the year, the Company neither purchased, sold nor redeemed any of its own listed securities.

### **PRE-EMPTIVE RIGHTS**

There are no provisions of pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

### **MANAGEMENT CONTRACTS**

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

### **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Board, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

### **AUDITOR**

A resolution to re-appoint the retiring auditor, Messrs. RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

**CHAN Chak Paul**

*Chairman*

Hong Kong, 28 March 2011

# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) has always valued transparency and accountability as the keys for achieving a high standard of corporate governance, and is committed to comply with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010 except the following:

*Code Provision E.1.3* stipulates that the Company should arrange notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting.

Annual general meeting was held on 19 May 2010 and the notice was sent to shareholders on 23 April 2010. The Company has not given 20 clear business days of notice for the annual general meeting, but fulfilled the requirement under the Company’s Bye-Laws, which requires that an annual general meeting should be called by not less than 21 days notice in writing.

## THE BOARD

The Board is responsible for the leadership, control and overall strategic development of the Company, as well as to oversee internal control and financial performance. The Board makes investment decision, taking into account of the advice from the Company’s Investment Manager, which is in accordance with the Company’s investment objectives. All Directors have access to board papers and related materials which are provided on a timely manner.

The Board comprises three Executive Directors and three Independent Non-executive Directors (“INEDs”). The brief biographical details of the Directors are set out in the “Biographical Details of Directors” section on page 5. More than one-third of the Board is INEDs and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

Each of the INEDs has made an annual confirmation of independence, and the Company considers that all of the INEDs are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Regular Board meetings are scheduled to be held at approximately quarterly intervals. During the year, the number of Board meetings and the attendance by each Director during the year is set out below:

<b>Name of Directors</b>	<b>Number of attendance / meetings held</b>
Mr. CHAN Chak Paul	19/19
Mr. NGAI Wah Sang	19/19
Mr. WANG Daming	6/19
Mr. CHAN Francis Ping Kuen	6/19
Mr. TAN Yee Boon	6/19
Mr. WANG Jia Hua	6/19
Mr. Benny LUI (resigned on 30/11/2010)	5/19

## ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company, Mr. CHAN Chak Paul, is primarily responsible for the leadership of the Board, ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner; and the Directors receive accurate, timely and clear information.

The Chief Executive Officer and Deputy Chairman of the Company, Mr. NGAI Wah Sang, is responsible for the day-to-day management of the Company's business.

## NOMINATION OF DIRECTORS

Directors shall identify and recommend proposed candidates for directorships of the Company to the Board for approval based on their appropriate experiences, personal skills and time commitments.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board shall select and appoint the candidates for directorships of the Company based on their appropriate experiences, personal skills and time commitments.

All INEDs of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-Laws of the Company, or any other applicable laws whereby the Directors shall vacate or retire from their office. The term of appointment of the INEDs is one year either commencing from the appointment date during the year or renewed from 31 December 2010.

According to the Bye-Laws of the Company, at each annual general meeting of the Company ("AGM"), one-third of the Directors for the time being shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

## REMUNERATION COMMITTEE

The composition of the Remuneration Committee and attendance of its members during the year are set out below:

Name of Directors	Number of attendance / meeting held
Mr. CHAN Chak Paul ( <i>Chairman</i> )	1/1
Mr. TAN Yee Boon	1/1
Mr. WANG Jia Hua	1/1
Mr. Benny LUI (resigned on 30/11/2010)	1/1

## CORPORATE GOVERNANCE REPORT

The major roles and functions of the Remuneration Committee are:

- to make recommendations to the Board on the Company's policy and structure for the remuneration of the Directors;
- to review and recommend the remuneration packages of all Executive Directors for approval by the Board; and
- to review and approve compensation payable to Directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of Directors.

The Committee has the right to access to professional advice relating to remuneration proposal if considered necessary. Details of the remuneration of Directors are disclosed on an individual basis and set out in Note 7 to the financial statements.

### AUDIT COMMITTEE

The composition of the Audit Committee and attendance of its members during the year are set out below:

<b>Name of Directors</b>	<b>Number of attendance / meetings held</b>
Mr. CHAN Francis Ping Kuen ( <i>Chairman</i> )	2/2
Mr. TAN Yee Boon	2/2
Mr. WANG Jia Hua	2/2
Mr. Benny LUI (resigned on 30/11/2010)	2/2

The major roles and functions of the Audit Committee are:

- to review the Company's interim and annual financial statements before submission to the Board for review and approval;
- to discuss with external auditor any matters arising from the audit of the Company's financial statements;
- to review financial controls, internal control and risk management system; and
- to review the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if considered necessary.

### **AUDITOR'S RESPONSIBILITIES AND REMUNERATION**

The statement of the Company's auditor Messrs. RSM Nelson Wheeler regarding their report responsibilities is set out in the Independent Auditor's Report on pages 16 to 17 of this annual report. For the year ended 31 December 2010, the remuneration payable to Messrs. RSM Nelson Wheeler is HK\$170,000 for audit service, HK\$35,000 for review of interim report and HK\$12,000 for tax compliance service.

### **CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding securities transactions by the Directors.

The Company has made specific enquiry of all the Directors and all the Directors have confirmed in writing that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2010.

### **INTERNAL CONTROLS AND RISK MANAGEMENT**

The Board has overall responsibility to review the effectiveness of the Company's internal control system and risk management. During the year, the Board had reviewed and ensured the internal control process had been properly carried out in making investment or divestment decision with the Investment Manager; documents and records were properly maintained; and the investment or divestment was in compliance with relevant laws and regulations.

The Board has also developed objective and policies for management of risk area facing the Company, details of such are set out in note 5 to the financial statements.

### **DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for preparation of financial statements of the Company and ensure that the Company's financial statements for the year ended 31 December 2010 are prepared in accordance with statutory requirements and applicable accounting standards.

### **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Board considers that general meeting of the Company are key opportunities for shareholders to exchange views with the Board. Separate resolutions were proposed for shareholders' consideration and approvals at any general meeting during the year. The Chairman of the Board as well as the Chairman and/or other members of the Audit Committee and Remuneration Committee will normally attend the Annual General Meetings and other shareholders' meetings of the Company to answer any questions raised.

### **VOTING BY POLL**

The voting procedures for demanding a poll by shareholders were written in the 2010 AGM circular, and the voting procedures were explained in the AGM.

# Independent Auditor's Report

## RSM! Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

**TO THE SHAREHOLDERS OF  
EARNEST INVESTMENTS HOLDINGS LIMITED**

*(Continued into Bermuda with limited liability)*

We have audited the financial statements of Earnest Investments Holdings Limited (the "Company") set out on pages 18 to 38, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### OPINION

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

### **RSM Nelson Wheeler**

*Certified Public Accountants*

Hong Kong, 28 March 2011

# Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK\$	2009 HK\$
<b>Turnover</b>	6	<b>1,829,030</b>	3,922,747
Revenue	6	<b>492,090</b>	3,247
Realised (losses)/gains on disposals of financial assets at fair value through profit or loss		<b>(62,500)</b>	1,349,250
Realised losses on disposals of available-for-sale financial assets		<b>(200,000)</b>	(800,000)
Net unrealised holding gains from financial assets at fair value through profit or loss		<b>15,910,428</b>	17,170,140
Administrative and other operating expenses		<b>(2,190,168)</b>	(1,948,324)
<b>Profit before tax</b>		<b>13,949,850</b>	15,774,313
Income tax expense	8	<b>(1,142,262)</b>	–
<b>Profit for the year attributable to owners of the Company</b>	9	<b>12,807,588</b>	15,774,313
<b>Other comprehensive income for the year, net of tax</b>		–	–
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>12,807,588</b>	15,774,313
<b>Earnings per share</b>			
Basic	11	<b>0.158</b>	0.195

# Statement of Financial Position

At 31 December 2010

	Note	2010 HK\$	2009 HK\$
<b>Non-current assets</b>			
Available-for-sale financial assets	12	650,000	1,350,000
<b>Current assets</b>			
Financial assets at fair value through profit or loss	13	47,837,083	32,336,595
Prepayments, deposits and other receivables		529,269	93,900
Bank and cash balances		5,859,899	7,113,906
		54,226,251	39,544,401
<b>Current liabilities</b>			
Accruals and other payables		210,000	178,000
<b>Net current assets</b>		54,016,251	39,366,401
<b>Total assets less current liabilities</b>		54,666,251	40,716,401
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	1,142,262	–
<b>NET ASSETS</b>		53,523,989	40,716,401
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	15	1,620,000	1,620,000
Reserves	17	51,903,989	39,096,401
<b>TOTAL EQUITY</b>		53,523,989	40,716,401
<b>Net asset value per share</b>	18	0.66	0.50

**CHAN Chak Paul**  
Executive director

**WANG Daming**  
Executive director

# Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital HK\$ (note 15)	Share premium account HK\$ (note 17)	Contributed surplus account HK\$ (note 17)	(Accumulated losses)/ retained profits HK\$	Total equity HK\$
At 1 January 2009	1,620,000	5,760,000	28,040,011	(10,477,923)	24,942,088
Total comprehensive income and changes in equity for the year	–	–	–	15,774,313	15,774,313
At 31 December 2009 and 1 January 2010	1,620,000	5,760,000	28,040,011	5,296,390	40,716,401
Total comprehensive income and changes in equity for the year	–	–	–	12,807,588	12,807,588
At 31 December 2010	1,620,000	5,760,000	28,040,011	18,103,978	53,523,989

# Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK\$	2009 HK\$
<b>Cash flows from operating activities</b>		
Profit before tax	<b>13,949,850</b>	15,774,313
Adjustments for:		
Net unrealised holding gains from financial assets at fair value through profit or loss	<b>(15,910,428)</b>	(17,170,140)
Realised losses/(gains) on disposals of financial assets at fair value through profit or loss	<b>62,500</b>	(1,349,250)
Realised losses on disposals of available-for-sale financial assets	<b>200,000</b>	800,000
Operating loss before working capital changes	<b>(1,698,078)</b>	(1,945,077)
(Increase)/decrease in prepayments, deposits and other receivables	<b>(435,369)</b>	144,640
Increase/(decrease) in accruals and other payables	<b>32,000</b>	(14,200)
Purchase of financial assets at fair value through profit or loss	<b>(489,500)</b>	–
Proceeds from disposals of financial assets at fair value through profit or loss	<b>836,940</b>	1,919,500
Proceeds from disposals of available-for-sale financial assets	<b>500,000</b>	2,000,000
Cash (used in)/generated from operations	<b>(1,254,007)</b>	2,104,863
Hong Kong Profits Tax refunded	–	970,784
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,254,007)</b>	3,075,647
<b>Cash and cash equivalents at 1 January</b>	<b>7,113,906</b>	4,038,259
<b>Cash and cash equivalents at 31 December</b>		
Representing bank and cash balances	<b>5,859,899</b>	7,113,906

# Notes to the Financial Statements

For the year ended 31 December 2010

## 1. CORPORATE INFORMATION

The Company was continued into Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Units 801-802, 8/F., Ginza Square, 565-567 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment and trading of listed and unlisted companies.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies and amounts reported for the current year and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the 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.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The area involving critical judgements is disclosed in note 4 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### (b) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

## Notes to the Financial Statements

For the year ended 31 December 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

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

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Other receivables**

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**(e) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

**(f) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

**(g) Other payables**

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(h) Equity instruments**

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

## Notes to the Financial Statements

For the year ended 31 December 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

- (i) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment are established; and
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

#### (j) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) Related parties**

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

**(l) Impairment of assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets except investments and receivables 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 any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes to the Financial Statements

For the year ended 31 December 2010

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Provisions and contingent liabilities

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

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

#### (n) Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

### 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

#### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

#### Available-for-sale financial assets

The Company's investments in unlisted securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any impairment losses.

### 5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Price risk

The Company's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Company is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 31 December 2010, if the quoted market price of the Company's listed securities had been 10% higher/lower, then profit after tax for the year would have been HK\$3,994,396 (2009: HK\$3,233,660) higher/lower, the effect of which will be classified as unrealised holding gains/losses from financial assets at fair value through profit or loss.

As at the date of approval of these financial statements, the unrealised holding gains from financial assets at fair value through profit or loss held as at 31 December 2010 amounted to HK\$16,777,428.

### (b) Credit risk

The Company has no significant concentrations of credit risk.

### (c) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Company's financial liabilities are repayable on demand or within one year.

### (d) Interest rate risk

The Company's exposure to interest rate risk arises from its bank deposits. These deposits bear interest at variable rates varied with the then prevailing market condition. The changes in interest rates are not significant to the financial statements.

### (e) Categories of financial instruments at 31 December 2010

	2010 HK\$	2009 HK\$
<b>Financial assets:</b>		
Financial assets at fair value through profit or loss:		
Held for trading	<b>47,837,083</b>	32,336,595
Loans and receivables (including cash and cash equivalents)	<b>6,360,518</b>	7,113,906
Available-for-sale financial assets	<b>650,000</b>	1,350,000
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>210,000</b>	178,000

## Notes to the Financial Statements

For the year ended 31 December 2010

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

Disclosures of level in fair value hierarchy at 31 December 2010:

Description	Fair value measurement using:			Total 2010 HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Financial assets at fair value through profit or loss				
Equity investments	47,837,083	–	–	47,837,083
Available-for-sale financial assets				
Equity investments	–	–	650,000	650,000
<b>Total</b>	<b>47,837,083</b>	<b>–</b>	<b>650,000</b>	<b>48,487,083</b>

Description	Fair value measurement using:			Total 2009 HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Financial assets at fair value through profit or loss				
Equity investments	32,336,595	–	–	32,336,595
Available-for-sale financial assets				
Equity investments	–	–	1,350,000	1,350,000
<b>Total</b>	<b>32,336,595</b>	<b>–</b>	<b>1,350,000</b>	<b>33,686,595</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)****(f) Fair values (continued)**

Reconciliation of equity investments classified as available-for-sale financial assets measured at fair value based on level 3:

	<b>2010</b>	2009
	<b>HK\$</b>	HK\$
At 1 January	<b>1,350,000</b>	4,150,000
Total losses recognised in profit or loss as presented in the statement of comprehensive income	<b>(200,000)</b>	(800,000)
Proceeds from disposals	<b>(500,000)</b>	(2,000,000)
At 31 December	<b>650,000</b>	1,350,000

**6. REVENUE AND TURNOVER**

	<b>2010</b>	2009
	<b>HK\$</b>	HK\$
Dividend income from listed investments	<b>90,820</b>	2,220
Dividend income from unlisted investments	<b>400,000</b>	–
Bank interest income	<b>1,270</b>	1,027
Revenue	<b>492,090</b>	3,247
Proceeds from disposals of available-for-sale financial assets	<b>500,000</b>	2,000,000
Proceeds from disposals of financial assets at fair value through profit or loss	<b>836,940</b>	1,919,500
Turnover	<b>1,829,030</b>	3,922,747

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China.

## Notes to the Financial Statements

For the year ended 31 December 2010

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director for the year ended 31 December 2010 were as follows:

	Fees	
	2010	2009
	HK\$	HK\$
Executive directors		
Mr. CHAN Chak Paul	57,600	57,600
Mr. NGAI Wah Sang	57,600	57,600
Mr. WANG Daming	57,600	57,600
Independent non-executive directors		
Mr. CHAN Francis Ping Kuen	57,600	57,600
Mr. TAN Yee Boon	57,600	33,600
Mr. WANG Jia Hua	57,600	9,600
Mr. Benny LUI (note (a))	52,800	57,600
Mr. Oliver Yeung Kam LAI (note (b))	–	24,000
	<b>398,400</b>	355,200

Notes:

- (a) Resigned on 30 November 2010
- (b) Resigned on 1 June 2009

During the year, there were no arrangements under which a director waived or agreed to waive any emoluments. No emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office.

The Company did not employ any employees other than the directors of the Company for the current and prior years.

## Notes to the Financial Statements

For the year ended 31 December 2010

### 8. INCOME TAX EXPENSE

	2010 HK\$	2009 HK\$
Current tax-Hong Kong Profits Tax Provision for the year	–	–
Deferred tax (note 14)	<b>1,142,262</b>	–
	<b>1,142,262</b>	–

No provision for Hong Kong Profits Tax is required for the year ended 31 December 2010 since the Company has no assessable profit for the year (2009: Nil).

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2010 HK\$	2009 HK\$
Profit before tax	<b>13,949,850</b>	15,774,313
Tax at 16.5% (2009: 16.5%)	<b>2,301,725</b>	2,602,761
Tax effect of income that is not taxable	<b>(81,195)</b>	(535)
Tax effect of expenses that are not deductible	<b>33,000</b>	132,000
Utilisation of temporary differences not previously recognised	<b>(1,111,268)</b>	(2,830,882)
Tax effect of tax losses not recognised	–	96,656
Income tax expense	<b>1,142,262</b>	–

### 9. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Company's profit for the year attributable to owners of the Company is stated after charging the following:

	2010 HK\$	2009 HK\$
Auditor's remuneration	<b>170,000</b>	170,000
Total staff costs (note 7)	<b>398,400</b>	355,200
Investment management fee	<b>360,000</b>	360,000

### 10. DIVIDEND

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

## Notes to the Financial Statements

For the year ended 31 December 2010

### 11. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK\$12,807,588 (2009: HK\$15,774,313) and the number of ordinary shares of 81,000,000 (2009: 81,000,000) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2010 and 2009.

### 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK\$	2009 HK\$
Unlisted securities, at cost		
Equity securities-Hong Kong	4,000,000	4,000,000
Equity securities-outside Hong Kong	–	5,000,000
	4,000,000	9,000,000
Less: Accumulated impairment	(3,350,000)	(7,650,000)
	650,000	1,350,000

The unlisted securities are stated at cost as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

In the absence of quoted market price in an active market, the directors estimate the fair value of the Company's investments in unlisted securities by considering information from a variety of sources, including the latest management financial information and the performance of the investee companies.

Particulars of the Company's available-for-sale financial assets as at 31 December 2010 are as follows:

Name of investee company	Place of incorporation	Particulars of issued shares	Proportion of investee's capital owned	Principal activities	Cost HK\$	Impairment loss HK\$	Carrying amount HK\$	Dividend income received during the year HK\$	Dividend cover	Net assets attributable to the Company HK\$
Ocean Pharmaceutical (HK) Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	20%	Sourcing and trading of pharmaceutical products	4,000,000	(3,350,000)	650,000	400,000	0.43	1,195,814

The Company's investment in Ocean Pharmaceutical (HK) Limited with 20% attributable equity interests held is classified as available-for-sale financial assets. This company is not treated as an associate because the Company is not in a position to exercise any significant influence over the financial and operating policies of this company or to participate in its operations.

The investment is held through an intermediate holding company which acts as an investment vehicle for the sole purpose of investing in Ocean Pharmaceutical (HK) Limited. This intermediate holding company has no other activities.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 HK\$	2009 HK\$
Equity securities listed in Hong Kong, at cost	<b>28,948,837</b>	29,235,575
Net unrealised holding gains	<b>18,888,246</b>	3,101,020
Fair value as at 31 December	<b>47,837,083</b>	32,336,595

The fair values of the listed securities are based on quoted market prices.

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

Name of investee company	Place of incorporation	Number of shares/ warrants held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised holding gains/(losses) HK\$	Dividend income received during the year HK\$	Dividend cover	Net assets attributable to the Company HK\$
(a) APAC Resources Limited ("APAC Resources")	Bermuda	220,000	Less than 1%	363,400	107,800	(255,600)	-	N/A	161,364
(b) Sinocop Resources (Holdings) Limited ("Sinocop Resources")	Bermuda	52,625,000	3.85%	6,032,757	42,100,000	36,067,243	-	N/A	5,482,312
(c) New Times Energy Corporation Limited ("New Times Energy")									
Ordinary shares	Bermuda	13,000,000	Less than 1%	20,150,000	2,457,000	(17,693,000)	-	N/A	5,878,530
Warrants 2011	N/A	1,857,142	N/A	-	63,143	63,143	N/A	N/A	N/A
(d) Shougang Concord International Enterprises Company Limited ("Shougang International")	Hong Kong	24,000	Less than 1%	15,120	27,120	12,000	-	N/A	26,486
(e) Shougang Concord Century Holdings Limited ("Shougang Century")	Hong Kong	3,314,000	Less than 1%	2,387,560	3,082,020	694,460	90,820	5.51 times	3,647,825
				28,948,837	47,837,083	18,888,246	90,820		

## Notes to the Financial Statements

For the year ended 31 December 2010

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

A brief description of the business and financial information of the listed investee companies, based on their published annual and interim reports, is as follows:

- (a) APAC Resources is principally engaged in (i) trading in base metals and commodities; and (ii) trading and investment in listed securities with a portfolio primarily focused on natural resources and related sector and industries. The unaudited (2009: audited) consolidated profit attributable to owners of APAC Resources for the year ended 31 December 2010 was approximately HK\$1,104,447,000 (2009: HK\$372,603,000). As at 31 December 2010, the unaudited (2009: audited) consolidated net asset value attributable to owners of APAC Resources was approximately HK\$5,068,709,000 (2009: HK\$2,962,014,000).
- (b) Sinocop Resources is principally engaged in investment holding, trading of metals and minerals and processing of raw ores. The audited consolidated loss attributable to owners of Sinocop Resources for the year ended 31 March 2010 was approximately HK\$25,187,000 (2009: HK\$20,469,000). As at 31 March 2010, the audited consolidated net asset value attributable to owners of Sinocop Resources was approximately HK\$147,990,000 (2009: HK\$126,684,000). The unaudited consolidated loss attributable to owners of Sinocop Resources for the six months ended 30 September 2010 was approximately HK\$19,401,000 (2009: HK\$10,555,000). As at 30 September 2010, the unaudited consolidated net asset value attributable to owners of Sinocop Resources was approximately HK\$142,545,000 (2009: HK\$122,883,000).
- (c) New Times Energy is principally engaged in trading of non-ferrous metal and frozen foods and exploration of natural resources. The audited consolidated loss attributable to owners of New Times Energy for year ended 31 December 2009 was approximately HK\$31,934,000. As at 31 December 2009, the audited consolidated net asset value attributable to owners of New Times Energy was approximately HK\$3,431,889,000. The unaudited consolidated loss attributable to owners of New Times Energy for the six months ended 30 June 2010 was approximately HK\$20,872,000 (2009: profit of HK\$1,924,000). As at 30 June 2010, the unaudited consolidated net asset value attributable to owners of New Times Energy was approximately HK\$3,732,950,000 (2009: HK\$2,289,370,000).
- (d) Shougang International is principally engaged in manufacture and sale of steel products; vessel chartering and the leasing of floating cranes; trading of steel products and iron ore; mining, processing and sale of iron ore; and management services business. The audited consolidated profit attributable to owners of Shougang International for the year ended 31 December 2009 was approximately HK\$71,667,000. As at 31 December 2009, the audited consolidated net asset value attributable to owners of Shougang International was approximately HK\$8,581,236,000. The unaudited consolidated profit attributable to owners of Shougang International for the six months ended 30 June 2010 was approximately HK\$434,449,000 (2009: loss of HK\$872,511,000). As at 30 June 2010, the unaudited consolidated net asset value attributable to owners of Shougang International was approximately HK\$9,022,126,000 (2009: HK\$8,740,729,000).
- (e) Shougang Century is principally engaged in processing and trading of copper and brass products and manufacturing of steel cords. The audited consolidated profit attributable to owners of Shougang Century for the year ended 31 December 2009 was approximately HK\$171,314,000. As at 31 December 2009, the audited consolidated net asset value attributable to owners of Shougang Century was approximately HK\$2,065,826,000. The unaudited consolidated profit attributable to owners of Shougang Century for the six months ended 30 June 2010 was approximately HK\$91,205,000 (2009: HK\$85,678,000). As at 30 June 2010, the unaudited consolidated net asset value attributable to owners of Shougang Century was approximately HK\$2,115,937,000 (2009: HK\$1,963,284,000).

## 14. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Company:

	Net unrealised holding gains from financial assets at fair value through profit or loss HK\$	Tax losses HK\$	Total HK\$
At 1 January 2010	–	–	–
(Charge)/credit to profit or loss (note 8)	(3,626,926)	2,484,664	(1,142,262)
At 31 December 2010	(3,626,926)	2,484,664	(1,142,262)

## 15. SHARE CAPITAL

	2010 HK\$	2009 HK\$
<b>Authorised:</b>		
1,000,000,000 ordinary shares of HK\$0.02 each	<b>20,000,000</b>	20,000,000
<b>Issued and fully paid:</b>		
81,000,000 ordinary shares of HK\$0.02 each	<b>1,620,000</b>	1,620,000

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

## 16. SHARE OPTIONS

During the year ended 31 December 2010, no option was granted, exercised, cancelled or lapsed under the share option scheme of the Company. There were no outstanding share options as at 31 December 2010 and 2009.

## Notes to the Financial Statements

For the year ended 31 December 2010

### 17. RESERVES

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2010 and 2009 are presented in the statement of comprehensive income and statement of changes in equity.

#### Nature and purpose of reserves

##### (a) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

##### (b) Contributed surplus account

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### 18. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Company as at 31 December 2010 of HK\$53,523,989 (2009: HK\$40,716,401) and the number of ordinary shares of 81,000,000 (2009: 81,000,000) in issue as at that date.

### 19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2011.