NATIONAL INVESTMENTS FUND LIMITED

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)

Annual Report 2009

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick
(Chief Executive Officer)
Mr. Fong Chi Wah
Mr. Liu JiYang (Appointed on 29 June 2009 and resigned on 21 September 2009)
Mr. Lian WeiFei (Appointed on 26 August 2009 and resigned on 22 September 2009)

Non-executive Directors

Ms. Yang XiaoFeng
Mr. Dai ZheFeng (Appointed on 26 August 2009 and resigned on 22 September 2009)

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung (Resigned on 13 April 2010)
Mr. Liu Jin
Mr. Lui Tin Nang (Appointed on 13 April 2010)

COMPANY SECRETARY

Mr. Lee Ping Kai

AUDIT COMMITTEE

Mr. Liu Jin
Mr. Char Shik Ngor, Stephen
Mr. Fung Kwok Leung (Resigned on 13 April 2010)
Mr. Lui Tin Nang (Appointed on 13 April 2010)

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Wing Hang Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 2907-2908
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

Beijing Capital Partners Limited
Room 5128
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

CUSTODIAN

Bank of Communications Trustee Limited
1st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

WEBSITE

www.nif-hk.com

I am pleased to present the annual results of National Investments Fund Limited (the "Company") and its subsidiary (collectively the "Group") for the year ended 31 December 2009.

The Company is an investment company and the Group is principally engaged in investments in a diversified portfolio of listed and unlisted companies.

BUSINESS REVIEW

For the year ended 31 December 2009, the Group's revenue, excluding the net loss on financial assets at fair value through profit and loss, decreased by 54.7% to HK$530,000 (2008: HK$1,170,000) and recorded a net loss on financial assets at fair value through profit or loss amounting to HK$12,979,000 (2008: HK$19,106,000). Included in the net loss on financial assets at fair value through profit or loss, gross proceeds from sales were HK$20,011,000 (2008: HK$24,302,000), and the cost of sales were HK$21,960,000 (2008: HK$42,160,000), therefore, the net realised loss was HK$1,949,000 (2008: HK$17,858,000). Apart from the realised loss, the unrealised loss on financial assets at fair value through profit or loss for the year ended 31 December 2009 amounted to HK$11,030,000 (2008: HK$1,248,000).

For the year under review, the Group reported a loss attributable to shareholders of HK$33,034,000 (2008: HK$27,484,000), representing an increase of 20.2% as compared with the preceding year. The loss was mainly due to the net loss on financial assets at fair value through profit or loss of HK$12,979,000 (2008: HK$19,106,000), staff costs of HK$3,321,000 (2008: HK$2,511,000) and directors' emoluments of HK$2,034,000 (2008: HK$2,091,000), including the amortisation of share options of HK$645,000 (2008: HK$1,493,000) incurred for the year ended 31 December 2009.

During the year ended 31 December 2009, the Group received dividend income amounting to HK$15,000 (2008: HK$373,000).

PROSPECT

The board is very optimistic about the future's investment markets, and considers year 2010 is not only a year filled of ample opportunities, but also a year with extremely challenging issues. The board regards investment markets around the world, is still full of potential which will lead to attractive returns. In particular, investments in the mainland China are primarily our target areas, and the board will be closely monitoring and reviewing its investment strategies to adapt the investment environment. Pre-IPO investments are still our Group's core investment ambition.

DIVIDENDS

The Board of Directors (the "Board") of the Company has resolved not recommend a final dividend the year ended 31 December 2009 (2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$29,365,000 (2008: approximately HK$23,045,000) as at 31 December 2009.

The Group had net current assets of approximately HK$95,928,000 (2008: HK$23,767,000) as at 31 December 2009. The Group had not obtained any credit facilities from financial institutions during the year. All the cash and cash equivalents were placed in Hong Kong Dollars account with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2009, was 0.004 (2008: 0.008).

During the year ended 31 December 2009, the Company had issued an aggregate of HK$99,230,000 convertible notes. The proceeds from issuance of convertible notes were applied in investing in listed and unlisted investments. All convertible notes were converted into ordinary shares during the year under review.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2009, an aggregate of 2,203,000,000 new ordinary shares were issued with the details set out below:

(i) On 14 April 2009, 218,400,000 ordinary shares were issued at HK$0.05 per share.

(ii) On 13 July 2009, 1,984,600,000 ordinary shares were issued as the convertible noteholders exercised conversion rights to convert the convertible notes into the Company's ordinary shares at HK$0.05 per share.

EMPLOYEES

As at 31 December 2009, the Group had 13 employees (2008: 13), including executive directors, non-executive director and independent non-executive directors. Total staff costs for the year ended 31 December 2009 amounted to HK$5,295,000 (2008: HK$4,602,000), including the amortisation of share options amounted to HK$645,000 (2008: HK$1,493,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 31 December 2009 (2008: Nil).

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to our staff members for their dedicated effort.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 27 April 2010

The Board of Directors (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2009.

Good corporate governance has always been recognised as vital to the Company's success and to sustain development to the Company. The Board commits to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of the business.

The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

During the year ended 31 December 2009 under review, the Company has applied the Principles and the Code Provisions as set out in the Code and complied with most of the Code Provisions save for a deviation from the Code Provisions in respect of Code Provisions E.1.2, details of which will be explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company's business, and ensuring transparency and accountability of Company's operations.

DEVIATION FROM CODE PROVISION E.1.2

According to Code Provision E.1.2, the Chairman of the Board, should attend the annual general meeting. In respect of the annual general meeting held on 26 June 2009, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises seven members, consisting of three executive directors, one non-executive director and three independent non-executive directors.

During the year ended 31 December 2009 and up to the date of this report, the Board of the Company comprises the following directors:

Executive directors:

Mr. Wong Danny F. *(Chairman)*	
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*	
Mr. Fong Chi Wah	
Mr. Liu JiYang	(Appointed on 29 June 2009 and resigned on 21 September 2009)
Mr. Lian WeiFei	(Appointed on 26 August 2009 and resigned on 22 September 2009)

Non-executive directors:

Ms. Yang XiaoFeng	
Mr. Dai ZheFeng	(Appointed on 26 August 2009 and resigned on 22 September 2009)

Independent non-executive directors:

Mr. Char Shik Ngor, Stephen	
Mr. Fung Kwok Leung	(Resigned on 13 April 2010)
Mr. Liu Jin	
Mr. Lui Tin Nang	(Appointed on 13 April 2010)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Each of the non-executive directors is appointed for a term of 12 months, subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. However, any director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company. All directors are subject to retirement from office by rotation and re-election by shareholders at the annual general meeting at least about once every three years.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors" on page 11. During the year ended 31 December 2009, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all our independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

The individual attendance record of each director at the meetings of the Board and the Audit Committee during the year ended 31 December 2009 is set out below:

		Attendance/Number of meetings held during the tenure of his/her directorship	
Name of directors		**Board**	**Audit Committee**
Mr. Wong Danny F.		20/20	N/A
Mr. Wu Tse Wai, Frederick		19/20	N/A
Mr. Fong Chi Wah		19/20	N/A
Ms. Yang XiaoFeng		11/20	N/A
Mr. Char Shik Ngor, Stephen		12/20	2/2
Mr. Fung Kwok Leung		13/20	2/2
Mr. Liu Jin		12/20	1/2
Mr. Liu JiYang	(Appointed on 29 June 2009 and resigned on 21 September 2009)	4/4	N/A
Mr. Lian WeiFei	(Appointed on 26 August 2009 and resigned on 22 September 2009)	2/2	N/A
Mr. Dai ZheFeng	(Appointed on 26 August 2009 and resigned on 22 September 2009)	2/2	N/A

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") of the Company comprises two independent non-executive directors, Mr. Liu Jin and Mr. Fung Kwok Leung, and the non-executive director, Ms. Yang XiaoFeng. Mr. Liu Jin also serves as the chairperson of the Committee. Following the resignation of Mr. Fung Kwok Leung on 13 April 2010, Mr. Lui Tin Nang was appointed as a member of the Committee on the same day. Two meetings were held during the year ended 31 December 2009 and all members of the Committee had attended the meetings.

The major roles and functions of the Committee as per the terms of reference are as follows:

- 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 director.

The Committee has right to access professional advice relating to remuneration proposal if considered necessary.

The principle elements of the Company's remuneration policy for directors and senior management are:

(1) No individual should determine his or her own remuneration package.

(2) Remuneration packages should be on a par with companies with whom the Company competes for human resources.

(3) Remuneration packages should reflect the performance and responsibility of an individual, as well as the complexity of work.

(4) Remuneration packages should be structured in such a way that can provide incentives to directors and senior management to improve their individual performance.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a director and approving and terminating the appointment of a director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his or her qualifications, experiences and background.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") as asset out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2009. The Company has also established written guidelines on terms no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Written Guidelines by the employees was noted by the Company.

AUDITORS' REMUNERATION

During the year under review, the Company is required to pay an aggregate of approximately HK$150,000 to the external auditors for the work of statutory audit services.

AUDIT COMMITTEE

The Company has an Audit Committee comprising three independent non-executive directors, Mr. Liu Jin, Mr. Char Shik Ngor, Stephen and Mr. Fung Kwok Leung who was the chairperson of the Audit Committee. Following the resignation of Mr. Fung Kwok Leung on 13 April 2010, Mr. Lui Tin Nang was appointed as the chairperson on the same date of the Audit Committee.

During the year ended 31 December 2009, two meetings of the Audit Committee were held to review the Company's interim report for the six months ended 30 June 2009 and the annual report for the year ended 31 December 2008. The principal duties of the Audit Committee include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing financial controls, internal controls, and risk management system; and
- reviewing 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 necessary.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal controls and risk management of the Company and to review its effectiveness. During the year, the Board had reviewed the internal control process and ensured that it 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 legislations and regulations.

During the year, the Company was exposed to market risk for its available-for-sale financial assets, including the embedded derivative, as the Company may not be able to liquidate such investments in time to meet its cashflow requirements. In response to this situation, the Board has maintained a portfolio of listed securities and relatively strong cash position.

The portfolio of listed securities, classified as financial assets at fair value through profit and loss in the balance sheet, may be exposed to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 December 2009 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure that the publication of which will be in a timely manner.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code introduced by the Stock Exchange.

EXECUTIVE DIRECTORS

Mr. Wong Danny F. ("Mr. Wong")

Mr. Wong, aged 48, holds a bachelor of Economies and Accounting degree from China Central University of Finance and Economies. Mr. Wong has years of experiences in project investment evaluation, listing planning, examination and approval as well as investing in Chinese B shares, H shares and red-chip shares. Mr. Wong has substantial experiences of high-tech companies listing. For the period from 16 June 2009 to 24 August 2009, Mr. Wong was the executive director of Poly Development Holdings Limited whose shares are listed on the Stock Exchange.

Mr. Wong is the spouse of Ms. Yang XiaoFeng who is a non-executive director of the Company.

Mr. Wu Tse Wai, Frederick ("Mr. Wu")

Mr. Wu, aged 68, was educated in Hong Kong and the United States and received his Master of Business Administration degree in Finance from Clark University. Mr. Wu has over 42 years of experience in insurance, securities business and asset management. He started his career with Paul Revere Life Insurance Company as an assistant actuary. He later worked with Fidelity Management and Research of Boston as an analyst in the late 60s and then moved on to senior positions in research and fund management with various well-known institutions in the United States. In the early 80s, Mr. Wu was a senior portfolio manager and investment adviser of Bank of America in Hong Kong. In the 90s, Mr. Wu was elected a director and senior consultant of Lippo Securities Group Limited (the "Lippo Securities Group"). He was a member of Lippo Securities Group investment committee and was responsible for supervising the fund management activities including futures related investments of Lippo Securities Group. Mr Wu is currently a responsible officer registered under the Securities and Futures Ordinance.

Mr. Fong Chi Wah ("Mr. Fong")

Mr. Fong, aged 47, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Management Accountants, Australia and a member of Hong Kong Institute of Directors. Mr. Fong has over 20 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr. Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr. Fong was also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr. Fong is currently the independent non-executive director of Syscan Technology Holdings Limited and Ruinian International Limited, both companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Ms. Yang XiaoFeng ("Ms. Yang")

Ms. Yang, aged 31, holds a bachelor in Computer Science degree from the Zhejiang Gongshang University (formerly known as Hangzhou University of Commerce). Ms. Yang has extensive experience in finance marketing. Ms. Yang was an independent non-executive director of Forefront International Holdings Limited (currently known as Forefront Group Limited), a company whose shares are listed on the Stock Exchange for the period from 18 April 2007 to 18 May 2007.

Ms. Yang is the spouse of Mr. Wong who is the chairman and executive director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Char Shik Ngor, Stephen ("Mr. Char")

Mr. Char, aged 61, holds a Bachelor of Law Degree (Honour) from University of London, a master degree of Social Sciences (Criminology) from the University of Hong Kong, a master degree of Social Sciences (Counselling) from the University of Hong Kong and a post-graduate certificate in Laws from City University of Hong Kong. Mr. Char was a chief investigator and senior assignment officer of the Independent Commission Against Corruption in Hong Kong from 1976 to 2004. Mr. Char was a chief executive officer of Garner Forest Industries Limited. Mr. Char is currently a Barrister at Law.

Mr. Liu Jin ("Mr. Liu")

Mr. Liu, aged 34, holds a bachelor in International Economic Law degree from the South Central University of Political Science and Law. Mr. Liu has been a qualified solicitor in the People's Republic of China (the "PRC") since 2001 and has various experience in merger and acquisition and corporate restructure in PRC. Mr. Liu is currently a qualified solicitor practicing in Shenzhen, PRC.

Mr. Lui Tin Nang ("Mr. Lui")

Mr. Lui, aged 52. Mr. Lui has obtained a bachelor degree in science from the University of Leeds and a master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a fellow member of The Institute of Chartered Accountants in England & Wales and the FCPA (Practising) of the Hong Kong Institute of Certified Public Accountants, member of the Chartered Institute of Management Accountant. He has years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui was an independent non-executive director of China Pipe Group Limited for the period from 3 July 2007 to 23 February 2009. Currently, Mr. Lui is the independent non-executive director of China Bio-Med Regeneration Technology Limited, Vital Pharmaceutical Holdings Limited and CT Holdings (International) Limited, all the companies are listed on the Stock Exchange.

The Board of Directors (the "Board") of National Investments Fund Limited (the "Company") is pleased to present to the shareholders the audited financial statements of the Company and its subsidiary (the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITY

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies.

The Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

Business or geographical analysis of the Group's assets and liabilities for the year is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The state of affairs of the Group and the Company at 31 December 2009 and the results of the Group for the year ended 31 December 2009 are set out in the financial statements on pages 21 to 23.

The Board has resolved not to recommend the payment of dividend for the year ended 31 December 2009 (2008: Nil).

RESERVES

Details of the movements in reserves of the Group during the year are set out in the financial statements on page 24.

As at 31 December 2009, the Company's available reserves for distribution to shareholders under the Companies Law of the Cayman Islands were HK$37,242,000 (2008: HK$14,777,000).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of Cayman Islands.

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

During the year ended 31 December 2009, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS

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

Executive Directors

Mr. Wong Danny F. *(Chairman)*	
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*	
Mr. Fong Chi Wah	
Mr. Liu JiYang	(Appointed on 29 June 2009 and resigned on 21 September 2009)
Mr. Lian WeiFei	(Appointed on 26 August 2009 and resigned on 22 September 2009)

Non-executive Directors

Ms. Yang XiaoFeng	
Mr. Dai ZheFeng	(Appointed on 26 August 2009 and resigned on 22 September 2009)

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen	
Mr. Fung Kwok Leung	(Resigned on 13 April 2010)
Mr. Liu Jin	
Mr. Lui Tin Nang	(Appointed on 13 April 2010)

Pursuant to Articles 88 and 89 of the Company's Articles of Association, Mr. Wu Tse Wai, Frederick, Mr. Fong Chi Wah and Ms. Yang XiaoFeng will retire by rotation and, being eligible, offer themselves for re-election.

Pursuant to Article 87 of the Company's Articles of Association. Mr. Lui Tin Nang shall hold office till the next following general meeting and being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Currently, all executive directors have entered into a service contract with the Company. All director's contracts will continue thereafter until terminated by either party by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the respective initial fixed terms. Each of these executive directors, is entitled to their respective basic salary (subject to an annual increment of not more than 5% of the annual salary at the time of the relevant review at discretion of the directors). In addition, in respect of each financial year of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors in respect of any financial year of the Company may not exceed 15% of the audited net profit of the Company (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive director is required to abstain from voting and is not counted in the quorum in respect of any resolutions of the directors regarding the amount of the monthly salary and the discretionary bonus payable to him.

In respect of non-executive directors, including independent non-executive directors, each of them has entered into service contracts with the Company, with the specific term for one year commencing from his or her respective date of appointment, and the service contract will be terminated by giving not less than 14 days' notice in writing by either party. All directors of the Company, including independent non-executive directors, are subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, no other director has entered into service agreement with the Company which is not determined by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 29 to the financial statements. Apart from the foregoing, no other 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 has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under "Interests in Share Options" below, at no time during the year was the Company a party to any arrangement to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the Securities and Futures Ordinance (the "SFO") or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 December 2009, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code"), are set out below:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of directors	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest in controlled corporation	Long Position	1,023,026,000 *(Note 1)*	29.92%
	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%
Mr. Wu Tse Wai, Frederick	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%
Mr. Fong Chi Wah	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%
Ms. Yang XiaoFeng	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%
Mr. Char Shik Ngor, Stephen	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%
Mr. Fung Kwok Leung	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%
Mr. Liu Jin	Beneficial owner	Long Position	1,092,000 *(Note 2)*	0.03%

Notes:

1. These 1,023,026,000 ordinary shares of the Company represent the aggregate of 899,026,000 ordinary shares and 124,000,000 warrants expiring on 13 July 2012, with an exercise price of HK$0.05 each for one ordinary share, are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.; and

2. These 1,092,000 shares are derived from the interest in 1,092,000 share options granted by the Company to these directors respectively, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below.

Save as disclosed above, none of the directors, chief executive or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register 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.

INTERESTS IN SHARE OPTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no share options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Company on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Company to motivate participants for their significant contributions to the growth of the Company and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Company, it is important for the Company to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Company's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other scheme must not in aggregate exceed ten per cent (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 Share Option Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty per cent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one per cent (1%) of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) A share option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Details of movement of the share options during the year ended 31 December 2009 under the Share Option Scheme are as follows:

Name or category of participants	Number of share options: Outstanding at 1 January 2009	Granted during year	Exercised during year	Lapsed during year	Reclassified during year	Outstanding at 31 December 2009	Exercise price *(HK$)*	Date of grant	Exercisable period *(Note i)*
Directors									
Mr. Wong Danny F.	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai, Frederick	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang XiaoFeng	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fung Kwok Leung	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Liu Jin	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	7,644,000	—	—	—	—	7,644,000			
Employees	18,564,000	—	—	(13,104,000)	—	5,460,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Resigned director	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	27,300,000	—	—	(13,104,000)	—	14,196,000			

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2009, so far as is known to the directors, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
CCM Asia Investment Corporation *(Note 1)*	Beneficial owner	Long position	1,023,026,000	29.92%

Note 1: These 1,023,026,000 ordinary shares represent the aggregate of 899,026,000 ordinary shares and 124,000,000 warrants expiring on 13 July 2012, with an exercise price of HK$0.05 each for one ordinary share, and Mr. Wong Danny F., an executive director and the chairman of the Company is the sole shareholder of CCM Asia Investment Corporation.

MANAGEMENT CONTRACTS

No contract 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.

MAJOR CUSTOMERS AND SUPPLIERS

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

CONNECTED TRANSACTIONS

Investment Management Agreements

Commencing from 16 December 2004, Avanta Investment Management Limited (the "Avanta") agreed to provide the Company with investment management services. On 14 November 2008, the Company and Avanta have renewed the investment management agreement. Avanta agreed to provide the Company with investment management services for twelve months commencing on 16 November 2008. On 5 November 2009, the Company had appointed Beijing Capital Patines Limited (the "Beijing Capital") (formerly known as Apex Wealth Investment Management Limited) which agreed to provide the Company with investment management services for twelve months commencing on 15 November 2009. The Company may terminate the agreement without any cause and without compensation at any time during the term of the agreement by giving not less than a two-week notice in writing to Beijing Capital before the expiry of the term of the Agreement. In addition, each of the Company and Beijing Capital may terminate the investment management agreement with immediate effect upon the happening of certain events, including, (a) any of the parties going into liquidation or the appointment of a receiver over the assets or undertaking of any party; (b) any party commits a material breach of the investment management agreement. The Company may also terminate the investment management agreement with immediate effect at any time if (a) Beijing Capital is negligent or guilty of wilful misconduct in respect of its obligations under the investment management agreement; or (b) Beijing Capital ceases to be a licensed corporation in Hong Kong under the SFO. The fixed service fee in relation to the extension of Beijing Capital appointment is in the amount of HK$400,000 per annum payable in twelve equal monthly instalments in advance to Beijing Capital.

Custodian Agreement

Commencing from 11 March 2005, the Company appointed Bank of Communications Trustee Limited as its custodian for the provision of custody services. The Bank of Communications Trustee Limited, has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement will continue in force until terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time.

The Board, including the independent non-executive directors, is of the view that the above connected transaction has been entered into on normal commercial terms, on an arm's length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year ended 31 December 2009 the amount of public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters for the year ended 31 December 2009.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in Note 32 to the financial statements.

AUDITORS

HLB Hodgson Impey Cheng retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 27 April 2010

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
NATIONAL INVESTMENTS FUND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of National Investments Fund Limited (the "Company") and its subsidiary (collectively referred to as the "Group") set out on pages 21 to 65 which comprise the consolidated and the company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 27 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	**(12,449)**	(17,936)
Other income	8	**34**	443
Change in fair value of derivative financial instrument	22	**(806)**	—
Change in fair value of conversion options embedded in convertible notes	20	**(950)**	54
Impairment loss on available-for-sale financial assets		**(3,402)**	—
Other operating expenses		**(15,255)**	(10,045)
Finance costs	9	**(206)**	—
Loss before income tax	10	**(33,034)**	(27,484)
Income tax expense	11	**—**	—
Loss for the year		**(33,034)**	(27,484)
Other comprehensive income			
— Net loss on revaluation of available-for-sale financial assets during the year		**(2,256)**	(976)
— Reclassification upon impairment		**976**	—
		(1,280)	(976)
Total comprehensive income for the year		**(34,314)**	(28,460)
Loss for the year attributable to:			
Owners of the Company		**(33,034)**	(27,484)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(34,314)**	(28,460)
Loss per share			
Basic and diluted	16	**(1.51) cents**	(2.52) cents

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	**3,785**	75
Available-for-sale financial assets	19	**3,448**	2,163
Conversion options embedded in convertible notes	20	**—**	950
		7,233	3,188
Current assets			
Financial assets at fair value through profit or loss	21	**66,030**	314
Prepayments, deposits and other receivables		**912**	629
Cash and bank balances		**29,365**	23,045
		96,307	23,988
Total assets		**103,540**	27,176
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	24	**32,950**	10,920
Reserves		**70,211**	16,035
Total equity		**103,161**	26,955
Liabilities:			
Current liabilities			
Accrued charges and other payable		**379**	221
Total liabilities		**379**	221
Total equity and liabilities		**103,540**	27,176
Net current assets		**95,928**	23,767
Total assets less current liabilities		**103,161**	26,955

Approved by the Board of Directors on 27 April 2010 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	**3,785**	75
Interest in a subsidiary	18	**3,448**	—
Available-for-sale financial assets	19	**—**	2,163
Conversion options embedded in convertible notes	20	**—**	950
		7,233	3,188
Current assets			
Financial assets at fair value through profit or loss	21	**66,030**	314
Prepayments, deposits and other receivables		**912**	629
Cash and bank balances		**29,365**	23,045
		96,307	23,988
Total assets		**103,540**	27,176
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	24	**32,950**	10,920
Reserves	25	**70,211**	16,035
Total equity		**103,161**	26,955
Liabilities:			
Current liabilities			
Accrued charges and other payable		**379**	221
Total liabilities		**379**	221
Total equity and liabilities		**103,540**	27,176
Net current assets		**95,928**	23,767
Total assets less current liabilities		**103,161**	26,955

Approved by the Board of Directors on 27 April 2010 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital *HK$'000*	Share premium *HK$'000*	Share option reserve *HK$'000*	Warrants reserve *HK$'000*	Available-for-sale financial asset equity reserve *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 January 2008	10,920	72,825	741	—	—	(30,564)	53,922
Loss for the year	—	—	—	—	—	(27,484)	(27,484)
Other comprehensive income for the year	—	—	—	—	(976)	—	(976)
Total comprehensive income for the year	—	—	—	—	(976)	(27,484)	(28,460)
Recognition of equity settled share-based payment	—	—	1,493	—	—	—	1,493
At 31 December 2008 and 1 January 2009	10,920	72,825	2,234	—	(976)	(58,048)	26,955
Loss for the year	—	—	—	—	—	(33,034)	(33,034)
Other comprehensive income for the year	—	—	—	—	(1,280)	—	(1,280)
Total comprehensive income for the year	—	—	—	—	(1,280)	(33,034)	(34,314)
Recognition of equity settled share-based payment	—	—	645	—	—	—	645
Release upon lapse of share option	—	—	(1,382)	—	—	1,382	—
Issue of shares	2,184	8,736	—	—	—	—	10,920
Share issuing expenses	—	(178)	—	—	—	—	(178)
Conversion of convertible notes	19,846	45,559	—	33,566	—	—	98,971
Issue of warrants	—	—	—	262	—	—	262
Expenses on issue of warrants	—	—	—	(100)	—	—	(100)
At 31 December 2009	**32,950**	**126,942**	**1,497**	**33,728**	**(2,256)**	**(89,700)**	**103,161**

The accompany notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Cash flows from operating activities		
Bank interest income received	**32**	731
Proceeds from sale of financial assets at fair value through profit or loss	**20,011**	24,302
Dividend income received	**15**	373
Cash payments to acquire financial assets at fair value through profit and loss	**(98,351)**	(15,996)
Cash payments to employees	**(4,626)**	(3,034)
Cash payments to investment managers	**(373)**	(400)
Cash payments to custodian	**(46)**	(42)
Cash payments to other suppliers	**(9,419)**	(5,272)
Net cash (outflow)/inflow from operating activities	**(92,757)**	662
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,082)**	(30)
Cash payments to acquire available-for-sale financial assets	**(5,704)**	(4,000)
Net cash outflow from investing activities	**(9,786)**	(4,030)
Cash flows from financing activities		
Net proceeds from issue of ordinary shares	**10,742**	—
Net proceeds from issue of convertible notes	**97,959**	—
Net proceeds from issue of warrants	**162**	—
Net cash inflow from financing activities	**108,863**	—
Net increase/(decrease) in cash and cash equivalents	**6,320**	(3,368)
Cash and cash equivalents at beginning of the year	**23,045**	26,413
Cash and cash equivalents at end of the year	**29,365**	23,045
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	**29,365**	23,045

The accompany notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal activity of the Group is investment in listed and unlisted companies. Particulars of the subsidiary are set out in Note 18 to the consolidated financial statements.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company is located at Rooms 2907-2908, 29th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and are effective for accounting periods beginning on of after 1 January 2009. A summary of the new HKFRSs are set out as below:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKAS 38 (Amendment)	Intangible Assets
HKAS 40 (Amendment)	Investment Properties
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRS issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRS issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior years.

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

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that may result in a redesignation of the Group's reportable segments.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early adopted the following new HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 28 (Amendment)	Investments in Associates[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distribution of Non-cash Assets to Equity holders[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. 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.

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

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with early application permitted. Under HKFRS 9, all recognised financial assets that are currently in the scope of HKAS 39 will be measured at either amortised cost or fair value. A debt instrument that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value with gains or losses recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(a) Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost as modified by revaluation of certain financial assets at fair value through profit or loss (including derivative financial instruments) and available-for-sale financial assets.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation *(Continued)*

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 on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority interests' share of changes in equity since the date of the combination. Prior to 1 January 2009, losses applicable to the minority interests in excess of the minority interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interests has a binding obligation and is able to make an additional investment to cover the losses.

(c) Investments in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

(d) Property, plant and equipment

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

Depreciation is provided on the straight-line method so as to write down the cost of property, plant and equipment to their estimated realisable values over their anticipated useful lives at the following rates:

Leasehold improvement	20%
Furniture and fixtures	20%
Office equipment	10-20%
Computer	50%

The assets' estimated residual values, useful lives and depreciation methods are received, and adjusted appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income in the year the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on 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 asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

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

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

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables are included in prepayments, deposits and other receivables in the consolidated statement of financial position.

At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

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 impaired where 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 financial assets have been impacted. For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

(i) significant financial difficulty of the issuer or counterparty; or

(ii) default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, 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 a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity of the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of 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 liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designated eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

During the year, the Group did not hold any financial liabilities at fair value in this category.

Other financial liabilities

Other financial liabilities (including accrued charges and other payable) are subsequently measured at amortised cost, using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale and issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss on fair value changes is recognised in profit or loss.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their economic risks and characteristics are not closely related to those of the host contacts and the host contacts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss. 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 recognised a collateralised borrowing for the proceeds received. 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 and payable is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents are comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(g) Revenue

Revenue represents dividend income from securities investments, bank interest income, other interest income from financial assets and net gain/(loss) on financial assets at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the consolidated statement of comprehensive income as follows:

i. Dividend income is recognised when the right to receive payment is established.

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

iii. Net gain/(loss) on financial assets at fair value through profit or loss are recognised on the transaction dates when the relevant contracts are executed.

(i) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(j) Taxation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

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. Deferred tax is charged or credited to the consolidated statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Impairments of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(l) Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Employee benefits

i. Employee leave entitlements

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

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

ii. Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

iii. Retirement benefits scheme contributions

The Group has participated in the Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Scheme is generally funded by payments from employees and by the Group. The Group's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Equity settled share-based payment transactions

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

(p) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(q) Related party transactions

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

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

(ii) the party is an associate;

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

(iv) the party is a member of the key management personnel of the Group 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 the employees of the Group, or of any entity that is a related party of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(s) Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible notes using effective interest method.

(t) Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrants reserve). The warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the retained profits or accumulated losses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Income taxes

The Group is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Share-based payment

The Group follows the guidance of HKFRS 2 when determining the fair value of the share options granted at the grant date. This determination requires significant estimate. In making this judgment, the Group incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price and the valuation technique should be consistent with the generally accepted valuation methodologies for pricing financial instruments.

Impairment of available-for-sale financial assets

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Available-for-sale financial assets	**3,448**	2,163
Conversion options embedded in convertible notes	**—**	950
Financial assets at fair value through profit or loss	**66,030**	314
Loans and receivables (including cash and cash equivalent)	**29,365**	23,045
	98,843	26,472
Financial liabilities		
At amortised cost	**379**	221

(b) Financial risk management objectives and policies

The Group's principal financial instruments, comprise available-for-sale financial assets, conversion options embedded in convertible notes, financial assets at fair value through profit or loss and loans and receivables. The main purpose of holding these financial instruments is to generate short term appreciation gain and gain from trading of these financial instruments. The Group has other financial assets and liabilities such as other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

There has been no change in the manner in which it manages and measures the risk.

The majority of the Group's monetary assets and monetary liabilities by value are denominated in Hong Kong dollars ("HK$"), except the available-for-sales financial assets are denominated in United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

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

Assets	**2009** **HK$'000**	2008 HK$'000
USD	**3,448**	—

Sensitivity analysis

As HK$ are pegged to USD, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis.

Interest rate risk

The income and operating cash flows of the Group are substantially independent of changes in market interest rates. As the Group has no significant interest bearing assets and liabilities, the Group's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to consolidated statement of comprehensive income as incurred.

Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date:

If the equity prices had been 5% higher/lower:

— net profit for the year ended 31 December 2009 would increase/decrease by approximately HK$3,301,000 (2008: 16,000). This is mainly due to change in fair value of held for trading investments.

— other equity reserves would increase/decrease by approximately HK$172,000 (2008: HK$108,000). This is mainly due to change in fair value of available-for-sale financial assets.

The Group and the Company's sensitivity to price risks have increased during the year mainly due to the increase in investments in financial assets at fair value through profit or loss and available-for-sale financial assets.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2009, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group and the Company also have credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk.

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 following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted amount	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009						
Non-derivative financial liabilities						
Accrued charges and other payable	—	379	—	—	379	379

	Weighted average effective interest rate	Within 1 year	2 to 5 years	Over 5 years	Total undiscounted amount	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008						
Non-derivative financial liabilities						
Accrued charges and other payable	—	221	—	—	221	221

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation

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

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the black-scholes option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2009	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	**66,030**	**—**	**—**	**66,030**
Available-for-sale financial assets				
Unlisted debt securities	**—**	**—**	**—**	**—**
Unlisted equity securities	**—**	**—**	**3,448**	**3,448**
Total	**66,030**	**—**	**3,448**	**69,478**

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

There were no transfers between Levels 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets

	Unquoted equity securities HK$'000	Unquoted debt securities HK$'000	Conversion options embedded in convertible notes HK$'000	Total HK$'000
Opening balance	—	2,163	950	3,113
Gains or losses recognised in:				
— profit or loss	—	(3,139)	(950)	(4,089)
— other comprehensive income	(2,256)	976	—	(1,280)
Purchases	5,704	—	—	5,704
Closing balance	3,448	—	—	3,448

All of the above gains and losses included in other comprehensive income for the current year are reported as changes of "available-for-sale financial asset equity reserve".

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as going concerns. The capital structure of the Group consists of nearly no debt. It finances its operation primary through equity attributable to owners of the Company, comprising issued capital, share premium, share option reserve, warrants reserve, available-for-sale financial asset equity reserve and accumulated losses.

The Group has adopted a lower finance leverage compared to the last year. Based on the Group's policy, the gearing ratio, as calculated as total debt divided by total equity at the year end was as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Debt (i)	**379**	221
Equity (ii)	**103,161**	26,955
Gearing ratio	**0.4%**	0.8%

(i) Debt comprises accrued charges and other payable.
(ii) Equity includes all capital and reserves of the Group.

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The adoption of HKFRS 8 did not result in any redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Business segment

For the years ended 31 December 2009 and 2008, all of the Group's revenue were derived from investment income from investments in listed securities and unlisted securities, no further detailed analysis of the Group's business segment is disclosed.

Geographical segment

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the markets and assets are attributed to the segments based on the location of the assets.

The Group's operations are mainly located in Hong Kong and Australia. The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**(12,932)**	(18,002)
Australia	**483**	66
	(12,449)	(17,936)

The following is an analysis of the carrying amount of non-current assets (excluding financial instrument) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**3,785**	75

* Non-current assets exclude financial instruments.

7. REVENUE

The amount of significant category of revenue recognised during the year is as follow:

	2009	2008
	HK$'000	*HK$'000*
Net loss on financial assets at fair value through profit or loss *(Note)*	**(12,979)**	(19,106)
Bank interest income	**32**	731
Interest income from available-for-sale financial assets	**483**	66
Dividend income from financial assets at fair value through profit or loss	**15**	373
	(12,449)	(17,936)

Note:

Net loss on financial assets at fair value through profit or loss represented:

	2009	2008
	HK$'000	*HK$'000*
Proceeds on sales	**20,011**	24,302
Less: cost of sales	**(21,960)**	(42,160)
Net realised loss on financial assets at fair value through profit or loss	**(1,949)**	(17,858)
Unrealised loss on financial assets at fair value through profit or loss	**(11,030)**	(1,248)
Net loss on financial assets at fair value through profit or loss	**(12,979)**	(19,106)

8. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Exchange gain	**31**	443
Sundry income	**3**	—
	34	443

9. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Imputed interest expense on convertible notes	**206**	—

10. LOSS BEFORE INCOME TAX

	2009 **HK$'000**	2008 *HK$'000*
Loss before income tax has been arrived after charging:		
Auditors' remuneration	**150**	160
Directors' emoluments	**2,034**	2,091
Total staff costs, excluding directors' emoluments	**3,321**	2,511
Depreciation	**372**	35
Legal and professional fee	**798**	68
Operating lease rental in respect of land and building	**1,348**	744
Equity-settled share-based payment expenses	**645**	1,493
Impairment loss on prepayments, deposits and other receivables	**251**	—

11. INCOME TAX EXPENSE

Current taxation

No provision for Hong Kong profits tax has been made as the Group incurred a taxation loss for the years ended 31 December 2009 and 2008.

The income tax expense for the year can be reconciled to loss per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	**%**	2008 *HK$'000*	*%*
Loss before income tax	**(33,034)**		(27,484)	
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**(5,451)**	**(16.5)**	(4,535)	(16.5)
Estimated tax effect on income that are not taxable in determining taxable profit	**(85)**	**(0.2)**	(132)	(0.5)
Estimated tax effect on expenses that are not deductible in determining taxable profit	**1,033**	**3.1**	246	0.9
Estimated tax effect of unrecognised temporary difference	**(20)**	**(0.1)**	—	—
Tax effect of unrecognised tax losses	**4,523**	**13.7**	4,421	16.1
Tax income and effective tax rate for the year	**—**	**—**	—	—

12. NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company which is dealt with in the financial statements of the Company to the extent of the loss of HK$35,290,000 (2008: HK$27,484,000).

13. DIRECTORS' EMOLUMENTS

The emoluments of every director for the year ended 31 December 2009 is set out below:

	Fee	Salary	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Danny F.	—	573	26	12	611
Mr. Liu JiYang *(Note 1)*	—	81	—	—	81
Mr. Wu Tse Wai, Frederick	—	320	26	—	346
Mr. Fong Chi Wah	—	224	26	11	261
Mr. Lian WeiFei *(Note 2)*	—	—	—	—	—
Ms. Yang XiaoFeng	—	253	26	—	279
Mr. Dai ZheFeng *(Note 2)*	—	—	—	—	—
Mr. Liu Jin	—	126	26	—	152
Mr. Char Shik Ngor, Stephen	—	126	26	—	152
Mr. Fung Kwok Leung *(Note 3)*	—	126	26	—	152
	—	1,829	182	23	2,034

The emoluments of every director for the year ended 31 December 2008 is set out below:

	Fee	Salary	Other benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Wong Danny F.	—	500	60	12	572
Mr. Wu Tse Wai, Frederick	—	300	60	—	360
Mr. Fong Chi Wah	—	204	60	10	274
Ms. Yang XiaoFeng	—	200	60	—	260
Mr. Liu Jin	—	100	60	—	160
Mr. Char Shik Ngor, Stephen	—	100	60	—	160
Mr. Fung Kwok Leung *(Note 3)*	—	100	60	—	160
Ms. Tam Heung Man *(Note 4)*	—	90	55	—	145
	—	1,594	475	22	2,091

Notes:

1. Appointed on 29 June 2009 and resigned on 21 September 2009
2. Appointed on 26 August 2009 and resigned on 22 September 2009
3. Resigned on 13 April 2010
4. Resigned on 1 December 2008

13. DIRECTORS' EMOLUMENTS *(Continued)*

During the year, there were no arrangements under which a director waived or agreed to waive any emolument for the year (2008: Nil).

During the years ended 31 December 2009 and 2008, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The number of the directors fell within the following bands:

	Number of directors	
	2009	2008
Nil to HK$1,000,000	**10**	8

14. EMPLOYEES' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year included two executive directors (2008: two) whose emoluments were reflected in the analysis presented in Note 13 to the consolidated financial statements. The emoluments of the remaining three individuals (2008: three individuals) were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**1,847**	2,140
Employer's contribution to pension scheme	**20**	33
	1,867	2,173

The emoluments of the three (2008: three) highest paid employees were within the following bands:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**—**	1
	3	3

During the years ended 31 December 2009 and 2008, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2009 (2008: Nil).

16. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's net loss for the year attributable to the owners of the Company of HK$33,034,000 (2008: HK$27,484,000) and 2,183,978,082 (2008: 1,092,000,000) weighted average ordinary shares in issue during the year.

Diluted loss per share for the years ended 31 December 2009 and 31 December 2008 was the same as the basic loss per share. The Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Leasehold improvement *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Computer *HK$'000*	Total *HK$'000*
At cost					
At 1 January 2008	—	4	75	8	87
Additions	—	—	—	30	30
At 31 December 2008 and 1 January 2009	—	4	75	38	117
Additions	1,913	1,568	187	414	4,082
At 31 December 2009	1,913	1,572	262	452	4,199
Accumulated depreciation					
At 1 January 2008	—	1	5	1	7
Charge for the year	—	1	15	19	35
At 31 December 2008 and 1 January 2009	—	2	20	20	42
Charge for the year	213	43	29	87	372
At 31 December 2009	213	45	49	107	414
Net book value					
At 31 December 2009	**1,700**	**1,527**	**213**	**345**	**3,785**
At 31 December 2008	—	2	55	18	75

18. INTEREST IN A SUBSIDIARY

	2009	2008
	HK$'000	*HK$'000*
The Company		
Unlisted investment, at cost	**—**	—
Amount due from a subsidiary	**5,678**	—
Less: Impairment loss recognised in respect of amount due from a subsidiary	**(2,230)**	—
	3,448	—

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand repayment within one year from the end of the reporting period and are therefore considered as non-current.

Particulars of the Group's subsidiary as at 31 December 2009 is as follows:

Name of subsidiary	**Place of incorporation**	**Class of share**	**Fully paid share capital**	**Proportion of nominal value of paid-up capital held by the Company**		**Principal activities**
				Directly	**Indirectly**	
Frameway Investments Limited	British Virgin Islands	Ordinary	USD$1	100%	—	Investment holdings

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	HK$'000	*HK$'000*
The Group		
Unlisted securities		
— debt securities *(Note (i))*	**—**	2,163
— equity securities *(Note (ii))*	**3,448**	—
	3,448	2,163

	2009	2008
	HK$'000	*HK$'000*
The Company		
Unlisted securities		
— debt securities *(Note (i))*	**—**	2,163

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes:

(i) On 10 November 2008, the Group subscribed a convertible note (the "Eiuoo Convertible Note") with a principal amount of HK$4,000,000 issued by Eiuoo Pty Ltd ("Eiuoo"). Eiuoo is a private company with limited liability incorporated in Australia.

The Eiuoo Convertible Note carries interest at 5.5% per annum with maturity three years from date of subscription. Full conversion of the Eiuoo Convertible Note will result in conversion into 10% of ordinary shares of the issued share capital of Eiuoo as of the conversion date.

The fair value at initial recognition of the debt element of the Eiuoo Convertible Note and conversion option element of the Eiuoo Convertible Note, amounting to approximately HK$3,104,000 and HK$896,000 (Note 20) respectively during the year ended 31 December 2008, which are measured in accordance with HKAS 39.

During the year ended 31 December 2009, impairment loss on available-for-sale financial assets of approximately HK$3,402,000 has been recognised in the consolidated statement of comprehensive income. As the key management personnel of Eiuoo has a severe illness, Eiuoo has a significant financial difficulty and the entire operation of Eiuoo had been ceased.

During the year ended 31 December 2009, fair value change on Eiuoo Convertible Note previously recognised in the available-for-sale financial assets equity reserve was reversed to the consolidated statement of comprehensive income.

During the year ended 31 December 2009, none of the principal amount of the Eiuoo Convertible Note was converted and the principal amount of the Eiuoo Convertible Note outstanding as at 31 December 2009 was amounted to HK$4,000,000, before provision of any impairment.

(ii) The unlisted equity securities are measured at fair value and are classified as Level 3 fair value measurement. Fair value is estimated using a discounted cash flow model. In determining the fair value, a risk adjusted discount factor of 21.31% are used.

20. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	2009	2008
	HK$'000	*HK$'000*
The Group and the Company		
Conversion options embedded in convertible notes	**—**	950

Notes:

(i) Conversion options embedded in convertible notes represented the conversion option element of the Eiuoo Convertible Note subscribed by the Group and are measured at fair value using the black-scholes option pricing model ("Black-Scholes Model") at initial recognition and at the end of each reporting period. The debt element of the Eiuoo Convertible Note is classified as available-for-sale financial assets. As explained in Note 19 to the consolidated financial statement, the Group subscribed the Eiuoo Convertible Note during the year ended 31 December 2008 and an amount of approximately HK$896,000 was recognised as conversion options embedded in convertible notes which was measured at fair value at initial recognition.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	*HK$'000*
The Group and the Company		
Held-for-trading:		
Equity securities, at fair value — listed in Hong Kong	**66,030**	314

The fair values of financial assets at fair value through profit or loss are determined by reference to the quoted market bid prices available on the Stock Exchange.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The following is a list of the equity securities as at 31 December 2009:

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held *(%)*	Net assets attributable to the Company	Cost of investment *HK$'000*	Fair value *HK$'000*	Change in fair value *HK$'000*
Netdragon Websoft Inc.	Cayman Islands, limited liability company	78,000 ordinary shares	0.0148	RMB215,000	1,293	315	(978)
Polyard Petroleum International Group Limited	Cayman Islands, limited liability company	1,680,000 ordinary shares	0.0311	HK$151,000	235	134	(101)
GCL-Poly Energy Holdings Limited	Cayman Islands, limited liability company	9,000 ordinary shares	0.0001	RMB6,000	34	21	(13)
Radford Capital Investment Limited	Cayman Islands, limited liability company	40,000,000 ordinary shares	3.4065	HK$7,231,000	5,268	2,840	(2,428)
Mascotte Holdings Limited	Bermuda, limited liability company	19,000,000 ordinary shares	3.4803	HK$22,569,000	18,774	19,000	226
Willie International Holdings Limited	Hong Kong, limited liability company	11,000,000 ordinary shares	1.8412	HK$35,503,000	13,338	5,940	(7,398)
Heritage International Holdings Limited	Bermuda, limited liability company	3,000,000 ordinary shares	0.4490	HK$4,679,000	3,613	1,035	(2,578)
China Merchants Bank Co., Ltd.	PRC, limited liability company	550,000 ordinary shares	0.0029	RMB2,669,000	9,910	11,193	1,283
G-Resources Group Limited	Bermuda, limited liability company	6,300,000 ordinary shares	0.0448	HK$2,124,000	3,003	3,087	84
C C Land Holdings Limited	Bermuda, limited liability company	680,000 ordinary shares	0.0264	HK$3,121,000	3,032	2,455	(577)
China Construction Bank Corporation	PRC, limited liability company	3,000,000 ordinary shares	0.0013	RMB7,417,000	19,808	20,010	202

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

A brief description of the business and financial information of the above listed equity securities, based on their latest financial statements, is as follows:

(i) Netdragon Websoft Inc. is principally engaged in online game development, including game design, programming and graphics and online game provision.

The audited net profit attributable to the owners of Netdragon Websoft Inc. for the year ended 31 December 2009 was approximately RMB87,108,000.

(ii) Polyard Petroleum International Group Limited is principally engaged in exploration of coal, oil and natural gas and trading of petroleum-related products.

The audited net loss attributable to the owners of Polyard Petroleum International Group Limited for the year ended 31 December 2009 was approximately HK$95,157,000.

(iii) GCL-Poly Energy Holdings Limited is principally engaged in manufacturing of polysilicon and related products to companies operating in the solar industry as well as development, management and operation of power generation plant and trading of coal.

The audited net loss attributable to the owners of GCL-Poly Energy Holdings Limited for the year ended 31 December 2009 was approximately RMB175,980,000.

(iv) Radford Capital Investment Limited is principally engaged in investment in listed and unlisted companies in Hong Kong and overseas market.

The audited net profit attributable to the owners of Radford Capital Investment Limited for the year ended 31 December 2009 was approximately HK$58,768,000.

(v) Mascotte Holdings Limited is principally engaged in loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The unaudited net profit attributable to the owners of Mascotte Holdings Limited for the six months ended 30 September 2009 was approximately HK$162,186,000.

(vi) Willie International Holdings Limited is principally engaged in investment holding, trading of investments, property investment and provision of financial services.

The audited net profit attributable to the owners of Willie International Holdings Limited for the year ended 31 December 2009 was approximately HK$129,345,000.

(vii) Heritage International Holdings Limited is principally engaged in property investment, investments in securities, money lending and investment holding.

The unaudited net profit attributable to the owners of Heritage International Holdings Limited for the six months ended 30 September 2009 was approximately HK$114,845,000.

(viii) China Merchants Bank Co., Ltd. is principally engaged in provision of corporate and personal banking services, conducting treasury business, provision of asset management and trustee services and other financial services.

The audited net profit attributable to the owners of China Merchants Bank Co., Ltd. for the year ended 31 December 2009 was approximately RMB18,235,000,000.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(ix) G-Resources Group Ltd. is principally engaged in provision of financial information services, securities investment, management services and trading of electronic goods and accessories.

The unaudited net loss attributable to the owners of G-Resources Group Ltd. for the six months ended 31 December 2009 was approximately HK$254,530,000.

(x) C C Land Holdings Limited is principally engaged in manufacturing and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units, manufacturing and sale of soft luggage, travel bags, backpacks and briefcases, treasury investment and property development and investment.

The audited net loss attributable to the owners of C C Land Holdings Limited for the year ended 31 December 2009 was approximately HK$58,358,000.

(xi) China Construction Bank Corporation is principally engaged in the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing and other financial services.

The audited net profit attributable to the owners of China Construction Bank Corporation for the year ended 31 December 2009 was approximately RMB106,756,000,000.

22. CONVERTIBLE NOTES

On 7 July 2009, the Company issued 2% coupon convertible notes at par denominated in HKD in an aggregate principal amount of HK$99,230,000 (“Convertible Notes”). The Convertible Notes will mature on the third anniversary of the date of issue of the Convertible Notes, 7 July 2012. The Convertible Notes entitle the holders to convert them into ordinary shares (“Conversion Shares”) of the Company at any time between the date of issue of the Convertible Notes and their maturity date on 7 July 2012 at a conversion price of HK$0.05 per share subject to adjustments for subdivision or consolidation of shares, bonus issues, rights issues, distributions and other dilutive events. If the Convertible Notes have not been converted, they will be redeemed on 7 July 2012 at their principal amount and any accrued interests. The Convertible Shares shall at all times rank equally among themselves and pari passu with all other shares of the Company in issue with respect of the right to any dividends or distributions declared.

Other principal terms of the Convertible Notes:

Upon the Convertible Notes holders exercising the conversion rights attached to the Convertible Notes, the Convertible Notes holders will be entitled for one warrant at nil consideration on the basis of every five Conversion Shares being converted and issued (“CN Warrants”). The subscription price of the CN Warrants is HK$0.05 per share.

The Company can early redeem the Convertible Notes at 105% of the outstanding principal amount of the Convertible Notes if the redemption is served before the second anniversary of the date of issue of the relevant tranche Convertible Notes.

The Company can early redeem the Convertible Notes at 110% of the outstanding principal amount of the Convertible Notes if the redemption is served after the second anniversary of the date of issue of the relevant tranche Convertible Notes.

The net proceeds received from the issue of Convertible Notes contain the following components that are required to be separately accounted for:

(i) The fair value of the liability component for the Convertible Notes represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 20.45%.

22. CONVERTIBLE NOTES *(Continued)*

(ii) Embedded derivatives, comprising:

(a) The fair value of redemption option represents the Company's option to early redeem all or part of the Convertible Notes; and

(b) The fair value of conversion option represents the option of the bondholders to convert the Convertible Notes into equity of the Company at conversion price of HK$0.05 and the issuance of CN Warrants with subscription price of HK$0.05.

The binomial option pricing model is used in the valuation of the embedded derivatives. Inputs into the model at the respective dates are as follows:

	7 July 2009	**13 July 2009**
Risk free rate of interest	**1.16%**	**1.03%**
Credit spread	**18.82%**	**19.28%**
Discount rate	**19.98%**	**20.31%**
Conversion price	**HK$0.05**	**HK$0.05**
Spot price	**HK$0.15**	**HK$0.16**
Volatility	**108.94%**	**108.63%**

On 13 July 2009, 1,984,600,000 Conversion Shares at the conversion price of HK$0.05 were issued to the Convertible Notes holders upon their conversion of the Convertible Notes in the aggregate principal amount of HK$99,230,000. In accordance with the terms and conditions of Convertible Notes, upon exercising the conversion rights attaching to the Convertible Notes on 13 July 2009, the Company issued 396,920,000 warrants to holders of the Conversion Shares.

The movements of the liability component and the embedded derivatives in the Convertible Notes during the year are set out below:

The Group and the Company

	Liability *HK$'000*	**Embedded derivatives** *HK$'000*	**Total** *HK$'000*
At 1 January 2008, 31 December 2008 and 1 January 2009	—	—	—
Issued during the year	60,940	38,290	99,230
Issue cost	(781)	(490)	(1,271)
Imputed interest charged	206	—	206
Change in fair value	—	806	806
Conversion of convertible notes into ordinary shares	(60,365)	(38,606)	(98,971)
At 31 December 2009	—	—	—

23. WARRANTS

On 15 June 2009, the Group has entered into a placing agreement with Sun Hung Kai International Limited for issue of up to 262,080,000 warrants to independent investors at an issue price of HK$0.001 per warrant. The warrants entitle the warrantholders to subscribe for the subscription shares at a subscription price of HK$0.16 per subscription share for a period of 12 months commencing from the date of issue of the warrants. The placing was completed on 24 June 2009.

On 13 July 2009, 1,984,600,000 Conversion Shares at the conversion price of HK$0.05 were issued to the Convertible Notes holders upon their conversion of the Convertible Notes in the aggregate principal amount of HK$99,230,000. In accordance with the terms and conditions of Convertible Notes, upon exercising the conversion rights attaching to the Convertible Notes on 13 July 2009, the Company issued 396,920,000 warrants to holders of the Conversion Shares.

The subscription rights attaching to the CN Warrants are measured at fair value of approximately HK$33,566,000 on initial recognition and are recognised in equity in the warrants reserve.

The fair value of the CN Warrants was determined using the binominal option pricing model and the inputs into the model were as follow:

	13 July 2009
Exercise price	**HK$0.05**
Share price	**HK$0.16**
Expected volatility	**157.45%**
Remaining life (in years)	**3.00**
Risk free rate	**1.03%**

At 31 December 2009, the Company had outstanding 659,000,000 warrants (2008: nil) and their exercise in full would result in the issuance of 659,000,000 shares (2008: nil).

24. SHARE CAPITAL

	Number of shares		**Amount**	
	2009	2008	**2009**	2008
	'000	*'000*	***HK$'000***	*HK$'000*
The Group and the Company				
Authorised ordinary shares of HK$0.01 each:				
At 1 January	**2,000,000**	2,000,000	**20,000**	20,000
Increase in authorised share capital *(Note (a))*	**18,000,000**	—	**180,000**	—
At 31 December	**20,000,000**	2,000,000	**200,000**	20,000
Issued and fully paid ordinary shares of HK$0.01 each:				
At 1 January	**1,092,000**	1,092,000	**10,920**	10,920
Issue of shares *(Note (b))*	**218,400**	—	**2,184**	—
Issue of shares *(Note (c))*	**1,984,600**	—	**19,846**	—
At 31 December	**3,295,000**	1,092,000	**32,950**	10,920

24. SHARE CAPITAL *(Continued)*

Notes:

(a) On 8 June 2009, an ordinary resolution was passed to increase the authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 shares with nominal value of HK$0.01 each to HK$200,000,000 divided into 20,000,000,000 shares with nominal value of HK$0.01 each by creation of an additional amount of HK$180,000,000.

(b) On 14 April 2009, 218,400,000 ordinary shares of HK$0.01 were issued at a price of HK$0.05 per share. A share premium of HK$8,736,000 had been credited to share premium account. The net proceeds of approximately HK$10,742,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 31 March 2009.

(c) On 13 July 2009, Convertible Notes of HK$99,230,000 were converted into ordinary shares of the Company at a conversion price of HK$0.05 per share. As a result, 1,984,600,000 ordinary shares were issued.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

25. RESERVES

The Company

	Share premium	Share option reserve	Warrants reserve	Available-for-sale financial asset equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	72,825	741	—	—	(30,564)	43,002
Loss for the year	—	—	—	—	(27,484)	(27,484)
Other comprehensive income	—	—	—	(976)	—	(976)
Total comprehensive income for the year	—	—	—	(976)	(27,484)	(28,460)
Recognition of equity settled share-based payment	—	1,493	—	—	—	1,493
At 31 December 2008 and 1 January 2009	72,825	2,234	—	(976)	(58,048)	16,035
Loss for the year	—	—	—	—	(35,290)	(35,290)
Other comprehensive income	—	—	—	976	—	976
Total comprehensive income for the year	—	—	—	976	(35,290)	(34,314)
Recognition of equity settled share-based payment	—	645	—	—	—	645
Release upon lapse of share option	—	(1,382)	—	—	1,382	—
Issue of shares	8,736	—	—	—	—	8,736
Share issuing expenses	(178)	—	—	—	—	(178)
Conversion of convertible notes	45,559	—	33,566	—	—	79,125
Issue of warrants	—	—	262	—	—	262
Expenses on issue of warrants	—	—	(100)	—	—	(100)
At 31 December 2009	126,942	1,497	33,728	—	(91,956)	70,211

26. DEFERRED TAXATION

No provision for deferred taxation has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2008: Nil).

At the end of the reporting period, the Group has estimated tax losses of approximately HK$71,391,000 (2008: HK$43,979,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

At the end of the reporting period, the Company has estimated tax losses of approximately HK$73,647,000 (2008: HK$43,979,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

27. NET ASSETS VALUE PER SHARE

As at 31 December 2009, the net assets value per share is HK$0.031 (2008: HK$0.025).

The calculation of net assets value per share is based on the net assets of approximately HK$103,161,000 (2008: HK$26,955,000) and 3,295,000,000 (2008: 1,092,000,000) ordinary shares in issue as at 31 December 2009.

28. OPERATING LEASE COMMITMENTS

The Group and the Company

As lessee

As at 31 December 2009, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**2,681**	649
In the second to fifth years, inclusive	**2,721**	—
	5,402	649

The Group leases office properties under operating lease arrangement and the lease payments are fixed and pre-determined.

29. MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2009, the Group had entered into transactions with, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

	2009 HK$'000	2008 HK$'000
Investment management expense to a related party (a)	50	—

(a) In November 2009, the investment management agreement entered into between the Company and Beijing Capital Partners Limited (formerly known as Apex Wealth Investment Management Limited), in relation to the management of the Company's investment portfolio and to avail the Company of the experience, advice and assistance of the investment manager for a term of one year commencing on 16 November 2009 and terminating on 15 November 2010 at a management fee of HK$400,000 per annum. Mr. Wu Tse Wai, Frederick is the director of the Company and Beijing Capital Partners Limited.

(b) Pursuant to a resolution passed by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 8 June 2009, the placing agreement dated 27 April 2009 entered into between the Company and Sun Hung Kai International Limited, in relation to the placing of the Convertible Notes to independent investors and CCM Asia Investment Corporation and/or companies controlled by Mr. Wong Danny F., the chairman and executive director of the Company, was approved. The placing of Convertible Notes of the Company of approximately HK$31,000,000 to CCM Asia Investment Corporation and/or companies controlled by Mr. Wong Danny F. was taken place on 7 July 2009.

Key management compensation

	2009 HK$'000	2008 HK$'000
Salaries and other short-term employee benefits	2,011	2,069
Employer's contribution to pension scheme	23	22
	2,034	2,091

The remuneration of directors and other members of key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

30. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Group on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Group to motivate participants for their significant contributions to the growth of the Group and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Group, it is important for the Group to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Group's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Company must not in aggregate exceed ten percent (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 thirty percent (30%) of the shares in issue from time to time.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one percent (1%) of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) An option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 14,196,000 (2008: 27,300,000), representing 0.4% (2008: 2.5%) of the shares of the Company in issue at that date.

In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

The fair value of the share options granted during the year ended 31 December 2007 was HK$0.11 each. Options were priced using a binomial option pricing model.

Inputs into the model

Grant date share price	HK$0.255
Exercise price	HK$0.38
Expected volatility	83.5%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	3.525%
Exercise multiple	1.2

Expected volatility was determined by using the historical volatility of the comparable companies share price over the previous 156 weeks.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

30. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by directors and employees during the year.

	Number of share options								
	Outstanding at 1 January 2009	Granted during year	Exercised during year	Lapsed during year	Reclassified during year	Outstanding at 31 December 2009	Exercise Price *(HK$)*	Date of grant	Exercisable period *(Note)*
Directors									
Mr. Wong Danny F.	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Wu Tse Wai, Frederick	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fong Chi Wah	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Ms. Yang Xiaofeng	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Char Shik Ngor, Stephen	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Fung Kwok Leung	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Mr. Liu Jin	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	7,644,000	—	—	—	—	7,644,000			
Employees	18,564,000	—	—	(13,104,000)	—	5,460,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
Resigned director *(Note ii)*	1,092,000	—	—	—	—	1,092,000	0.38	28 November 2007	28 November 2007 to 26 August 2017
	27,300,000	—	—	(13,104,000)	—	14,196,000			
Weighted average exercise price	HK$0.38	—	—	HK$0.38	—	HK$0.38			

The options outstanding at 31 December 2009 had the weighted average remaining contractual life of 7.65 years (2008: 8.65 years).

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

(ii) On 1 December 2008, Ms. Tam Heung Man has resigned as independent non-executive directors of the Company. The share options of the Company held by Ms. Tam Heung Man was then classified as share options held by resigned director.

31. CAPITAL COMMITMENTS

As at 31 December 2009, the Group and the Company did not have any material capital commitments. (2008: Nil)

32. EVENTS AFTER THE REPORTING PERIOD

On 16 April 2010, the Company has completed the second tranche of the Convertible Notes in the aggregate principal amount of HK$37,000,000. Details are set out in the Company's announcement dated 16 April 2010.

33. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2010.

Financial Summary

	Year ended 31 December 2009 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000	Year ended 31 December 2005 HK$'000
RESULTS					
Revenue	**(12,449)**	(17,936)	(1,361)	(203)	(871)
Loss before income tax	**(33,034)**	(27,484)	(5,222)	(2,740)	(4,726)
Income tax expenses	**—**	—	—	—	—
Loss attributable to shareholders	**(33,034)**	(27,484)	(5,222)	(2,740)	(4,726)

	As at 31 December 2009 HK$'000	As at 31 December 2008 HK$'000	As at 31 December 2007 HK$'000	As at 31 December 2006 HK$'000	As at 31 December 2005 HK$'000
ASSETS AND LIABILITIES					
Total assets	**103,540**	27,176	54,429	1,632	2,967
Total liabilities	**(379)**	(221)	(507)	(3,540)	(2,135)
Shareholders' funds/(deficit)	**103,161**	26,955	53,922	(1,908)	832