



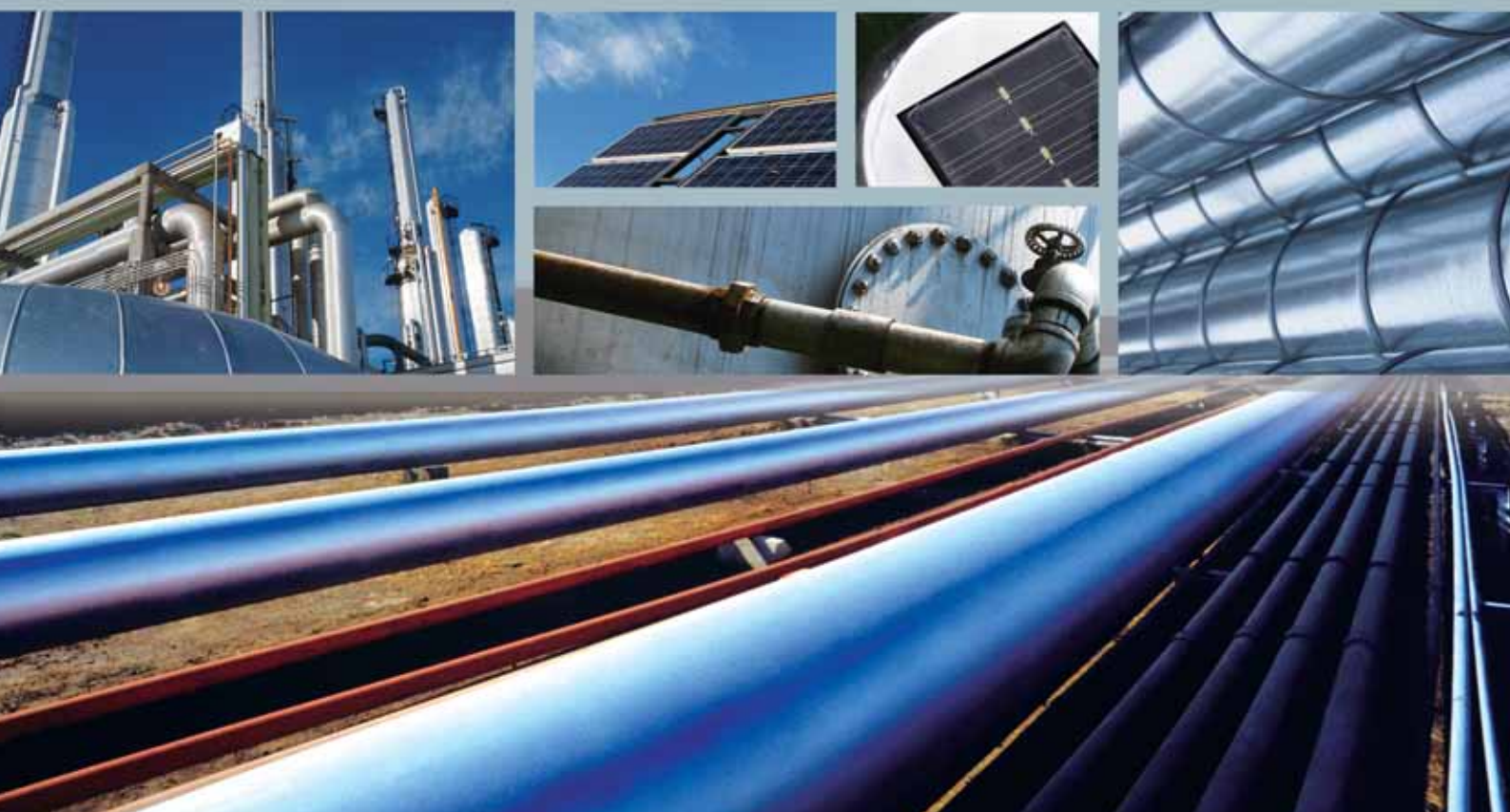
UURG Corporation Limited

(continued in Bermuda with limited liability)

Stock Code: 8192

2009 Annual Report

To help the Global Warming.....
Develop the Clean Energy



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This report, for which the directors (the “Directors”) of UURG Corporation Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Group Financial Summary

	Year ended 31 December				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	
RESULTS					
Turnover	2,153	2,823	1,417	1,193	14,553
Loss before income tax	(3,766)	(1,371)	(2,846)	(7,174)	(9,352)
Income tax credit	–	–	–	51	43
Loss for the year	(3,766)	(1,371)	(2,846)	(7,123)	(9,309)

	At 31 December				2009 HK\$'000
	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	
ASSETS AND LIABILITIES					
Total assets	2,227	2,389	5,172	18,548	16,349
Total liabilities	(1,923)	(1,555)	(3,501)	(3,273)	(10,371)
Net assets	304	834	1,671	15,275	5,978

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chan Chun Tin, Stanley (resigned on 12 January 2010)
Mr. Ying Kan Man (resigned on 12 January 2010)
Ms. Li Xiao Mei (*Chairman*)
(appointed on 12 January 2010)
Mr. Gan Hongzhi (appointed on 12 January 2010 and
resigned on 5 February 2010)
Mr. Zhang Shi Min (appointed on 5 February 2010)
Mr. Chan Wai Keung (*Chief Executive Officer*)
(appointed on 5 March 2010)

NON-EXECUTIVE DIRECTORS

Mr. Wu Gao Yuan (appointed on 5 March 2010)
Mr. Wen Wei Zhong (appointed on 5 March 2010)
Mr. Qie Bing Bing (appointed on 5 March 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lung Hung Cheuk (resigned on 12 January 2010)
Mr. Yip Tai Him (resigned on 12 January 2010)
General Dato' Seri Mohd Azumi bin Mohamed
(resigned on 12 January 2010)
Mr. Leung Wah (appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry (appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard
(appointed on 12 January 2010)

COMPANY SECRETARY

Mr. Chow Tung Suen, Solicitor, HKSAR
(resigned on 12 January 2010)
Ms. Li Shan Mui, HKICPA, FCCA
(appointed on 12 January 2010)

COMPLIANCE OFFICER

Mr. Ying Kan Man (resigned on 12 January 2010)
Mr. Gan Hongzhi (appointed on 12 January 2010 and
resigned on 5 February 2010)
Mr. Zhang Shi Min (appointed on 5 February 2010)

AUDIT COMMITTEE

Mr. Lung Hung Cheuk (resigned on 12 January 2010)
Mr. Yip Tai Him (resigned on 12 January 2010)
General Dato' Seri Mohd Azumi bin Mohamed
(resigned on 12 January 2010)
Mr. Leung Wah (*Chairman*)
(appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry (appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard
(appointed on 12 January 2010)

NOMINATION COMMITTEE

Mr. Lung Hung Cheuk (resigned on 12 January 2010)
Mr. Yip Tai Him (resigned on 12 January 2010)
General Dato' Seri Mohd Azumi bin Mohamed
(resigned on 12 January 2010)
Mr. Gan Hongzhi (appointed on 12 January 2010 and
resigned on 5 February 2010)
Mr. Zhang Shi Min (*Chairman*)
(appointed on 5 February 2010)
Mr. Leung Wah (appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry (appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard
(appointed on 12 January 2010)

REMUNERATION COMMITTEE

Mr. Lung Hung Cheuk (resigned on 12 January 2010)
Mr. Yip Tai Him (resigned on 12 January 2010)
General Dato' Seri Mohd Azumi bin Mohamed
(resigned on 12 January 2010)
Mr. Gan Hongzhi (appointed on 12 January 2010 and
resigned on 5 February 2010)
Mr. Zhang Shi Min (*Chairman*)
(appointed on 5 February 2010)
Mr. Leung Wah (appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry (appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard
(appointed on 12 January 2010)

Corporate Information

AUTHORISED REPRESENTATIVES

Mr. Ying Kan Man (resigned on 12 January 2010)
Mr. Chow Tung Suen Solicitor, HKSAR
(resigned on 12 January 2010)
Mr. Gan Hongzhi (appointed on 12 January 2010 and
resigned on 5 February 2010)
Ms. Li Shan Mui (appointed on 12 January 2010)
Mr. Zhang Shi Min (appointed on 5 February 2010)

AUDITORS

Grant Thornton
Certified Public Accountants
6th Floor, Nexus Building
41 Connaught Road Central
Hong Kong

LEGAL ADVISER TO THE COMPANY

As to Bermuda law
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2803, 28th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM06
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

COMPANY HOMEPAGE

www.uurg.com

GEM STOCK CODE

8192

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of UURG Corporation Limited (the "Company"), I herein present the results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

BUSINESS AND FINANCIAL OVERVIEW

2009 was a tough year full of continual challenges, particularly in the first half of the year with the prolonged effects of the worldwide financial tsunami and the public health threat of the influenza A H1N1, causing global investment in renewable energy to be delayed or even withdrawn. During the third quarter of the year, the global economy started to rebound and it is generally believed that the worst is over and that market confidence will return.

During the year, the Group's turnover and loss attributable to equity holders of the Company were approximately HK\$14.6 million (2008: HK\$1.2 million) and approximately HK\$9.3 million (2008: HK\$7.1 million) respectively, which represent an increase of approximately 1,117% in turnover and an increase of approximately 31% in loss attributable to equity holders of the Company as compared with the previous corresponding year.

The increase in the loss attributable to equity holders of the Company was mainly due to the significant increase in staff and establishment costs in order to cope with the business developments both in Hong Kong and the People's Republic of China (the "PRC"). Since the change of the controlling interest of the Company on 9 October 2009 and the appointment of the new members of the Board on 12 January, 5 February and 5 March of 2010, the Board has performed a business review to streamline the business operation, to improve the financial position of the Group and to explore new opportunities. The Group will continue to adopt strict cost control policies in managing its operations and a higher turnover is expected in the coming year.

The Group's green building business has been running since the first quarter and green building practices generally have become widely accepted around the globe. The Group has successfully secured the Parkview Green, an iconic new landmark located in the heart of Beijing, PRC, project in the last quarter whereby the Group will provide advice on natural ventilation and smoke ventilation system solutions. Natural ventilation is a whole-building design concept which principal function is to supply fresh air to building interiors thereby releasing any excessive heat build up and most importantly reducing energy use and costs. A smoke ventilation system, on the other hand, helps release heat and smoke from a building in case of a fire hazard. During the year, the Group has pursued every opportunity to bid for the development projects in the PRC, including in Beijing, Shanghai and Nanjing and has successfully secured a number of prominent projects, including the Wuhan Railway Station project in Hubei Province and the Air China Flight Simulation Training Center project in Beijing. Revenue during this year has significantly improved.

China's economy has been recovering desirably and its market demands has returned since the implementation of its stimulus measures. Economic restructuring policies are expected to continue which will benefit the long term development of the Group in the PRC. Shenzhen will continue to be our platform for progress into the economic life of the PRC market. The Group will continue to be alert as to costs and will manage its business prudently and cautiously in order to fortify itself against the expected continuing impacts of the global financial upheaval. The Board will continue to reinforce our competitive advantages so as to create greater shareholder value.

Chairman's Statement

PROSPECTS

The Group will not only continue to improve its existing business but also seek opportunities to invest in the energy and resources businesses. The Board believes that investments in the energy and resources businesses will allow the Group to diversify into a solid business with a steady income and serve as a stepping stone into other energy-related businesses in the PRC.

The Group will actively seek investment opportunities in the energy and resources businesses including in particular the coalbed methane ("CBM") business with a view to bring in improved returns and provide greater value to our shareholders.

The Group considers investment in the CBM business will enable the Group to enter into the clean energy sector as CBM is regarded as a key source of clean energy and a solution to the acute shortage of natural gas in various regions across the globe. Our focus is in the PRC due to its potential for CBM development based on its widespread and high quality resources. Additionally, the PRC has a number of favorable policies and incentives to encourage CBM exploration and utilisation including the allowance of foreign investors to be major shareholders, value added tax waiver, corporate income tax relief, preferable access to pipeline transportation, CBM gas sales price subsidy, etc.. Furthermore, under the 11th Five-year Plan adopted in 2006, the PRC aims to achieve 10 billion cubic metres annual CBM production by 2010 which supports our desire to focus on development in the PRC.

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers and business partners for their continued support. My thanks also go to the board members, management and all of our staff for their dedication and hard work.

Li Xiao Mei
Chairman

Hong Kong, 19 March 2010

Management Discussion and Analysis

GENERAL

The Group is principally engaged in the provision of information technology and engineering consultancy services.

FINANCIAL REVIEW

Results

During the year under review, the Group recorded a turnover of approximately HK\$14.6 million (2008: approximately HK\$1.2 million), representing an increase of approximately 1,117% in turnover as compared with previous year. The increase in turnover was attributable to the increase in turnover of information technology and engineering consultancy fee income. Loss attributable to equity holders for the year ended 31 December 2009 amounted to approximately HK\$9.3 million (2008: approximately HK\$7.1 million), representing an increase of approximately 31% as compared with previous year. The increase in the loss attributable to equity holders of the Company was primarily attributable to the increase in staff and establishment costs in order to cope with the business developments both in Hong Kong and the PRC.

Liquidity, financial resources and capital structure

As at 31 December 2009, the Group had assets of approximately HK\$16.3 million (2008: approximately HK\$18.5 million), including net cash and bank balances of approximately HK\$8.1 million (2008: approximately HK\$17.5 million). There was no charge on the Group's assets as at 31 December 2009 (2008: nil).

During the year under review, the Group financed its operations with internally generated cash flow. On 22 December 2009, there was a mandatory unconditional cash offers (the "Unconditional Mandatory Cash Offer") by Optima Capital Limited on behalf of Sound Treasure Holdings Limited for all the issued shares in and outstanding convertible bonds of the Company other those owned or agreed to be acquired by Sound Treasure Holdings Limited. The Unconditional Mandatory Cash Offer was closed on 12 January 2010 with no valid acceptance for the share under the Unconditional Mandatory Cash Offer and one valid acceptance for the convertible bonds under the Unconditional Mandatory Cash Offer (for more details, please see the Company's announcement dated 12 January 2010). During the year, there was no convertible bonds issued and converted and the number of shares in issue of the Company is unchanged.

Gearing

The gearing ratio of the Group, defined as the ratio between total borrowings and shareholders' equity, was 0% for the year ended 31 December 2009 (2008: 0%) since the Group did not have any bank borrowings nor any banking facilities.

Significant investments

As at 31 December 2009, there was no significant investment held by the Group.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Material acquisitions or disposals of subsidiaries and affiliated companies

The Company did not have any material acquisitions or disposal of subsidiaries and affiliated companies during the year.

Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Lease and contracted commitments

The Group leases certain of its office premises under non-cancellable operating lease arrangements with a lease term of approximately two years.

As at 31 December 2009, the Group had total future minimum lease payments in respect of non-cancellable operating leases for land and buildings falling due as follows:

	2009 HK\$'000	2008 HK\$'000
Within one year	246	1,872
In the second to fifth year, inclusive	–	1,357
	246	3,229

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 December 2009 were denominated either in Hong Kong dollars ("HK\$") or Renminbi ("RMB"), and most of the assets and liabilities as at 31 December 2009 were denominated either in HK\$ or RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year under review.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce its exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Segment information

The Group's operation is regarded as a single business segment which is the provision of information technology and engineering consultancy services. Analysis of the Group's turnover and results as well as analysis of the carrying amount of segment assets and capital expenditures by geographical market have not been presented as they are substantially generated from or situated in the PRC.

Future plans for material investments

The Group is looking for ways to further improve its existing business, and is also searching for business opportunities elsewhere to improve its financial performance and its shareholders' returns. Since the change of the controlling interest of the Company on the 9 October 2009 and the appointment of the new Board on 12 January, 5 February and 5 March of 2010, the Board has performed a business review to streamline the business operation and improve the financial position of the Group, and is looking for new investment opportunities in new business areas, particularly, in the area of energy and resources. The Directors believe that the rebound in the economies of Hong Kong and the PRC will provide good prospects for the Group.

Employees and remuneration policies

As at 31 December 2009, the Group had 32 (2008: 29) full-time employees, including Directors. Total staff costs (including Directors' emoluments) were approximately HK\$6,406,000 for the year ended 31 December 2009 (2008: approximately HK\$3,505,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Other benefits include contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and social insurance for its employees in the PRC, and are paid at appropriate levels.

Directors and Senior Management Profiles

EXECUTIVE DIRECTORS

Ms. Li Xiao Mei, aged 35, was appointed as the chairman and an executive director of the Company on 12 January 2010. Ms. Li graduated from Hong Kong Institute of Fashion Design with a diploma in fashion design. Ms. Li has nine years of extensive experience in investment project management, merger and acquisition transactions and business strategies. She is an executive director of a number of PRC private companies.

Mr. Chan Wai Keung, aged 56, was appointed as the chief executive officer of the Company on 5 February 2010 and an executive director of the Company on 5 March 2010. Mr. Chan has over 30 years of experience in the operation and development of business, china trade, international trade and venture capital etc. Mr. Chan was a member of the Hong Kong New Territory Lions Club International from 1986 to 2001, and was also the committee member of the 1st and 2nd term of the People's Political Consultation Committee of Longguang, Shenzhen, the PRC. Mr. Chan is a non-executive director of Birmingham International Holdings Limited (stock code 2309). Mr. Chan was the chairman, chief executive officer and executive director of China Energy Development Holdings Limited (stock code 228) both are listed companies on the Main Board of the Stock Exchange. Mr. Chan was also the President of Global Resources Recovery (Canada) Inc., GRR Conception Recycling Inc. and the Chief Executive Officer of True Product ID Technology Limited, China Fishery and Agriculture Bioenvironmental Technology (Hong Kong) Ltd.

Mr. Zhang Shi Min, aged 52, was appointed as an executive director and a chairman of the remuneration committee and the nomination committee of the Company on 5 February 2010. Mr. Zhang has extensive experience in risk management. Mr. Zhang graduated from the 人文社會科學系 (Faculty of Humanities and Social Science*) of Hunan University with a 行政管理學學位 (Bachelor of Management Studies*). In addition, he was part of the senior management of 深圳康沃電氣技術有限公司 (Shenzhen Kang Wo Dian Qi Ji Shu Co., Limited*) and an executive director and the financial controller of 西安春日網絡能源有限公司 (Xi An Chun Ri Wang Luo Neng Yuan Co., Ltd.*).

NON-EXECUTIVE DIRECTORS

Mr. Wu Gao Yuan, aged 40, was appointed as a non-executive director of the Company on 5 March 2010. Mr. Wu has extensive experience in the management of and investments in food and beverage, aqua-farming and mineral resources businesses. Mr. Wu graduated from 瀋陽體育學院 (Shenyang Sport University*). Mr. Wu is the general manager of 瀋陽恒煒物業管理有限公司 (Shenyang Heng Wei Property Management Co., Ltd*), 綏中電廠三益水產有限公司 (Sui Zhong Electric Fty San Yi Fisheries Co., Ltd.*), 南海漁港餐飲有限公司 (Nanhai Yu Gang Beverage Co., Ltd.*) and 遼寧益恒投資有限公司 (Liaoning Yi Heng Investment Co. Ltd.*).

Mr. Wen Wei Zhong, aged 39, was appointed as a non-executive director of the Company on 5 March 2010. Mr. Wen has extensive experience in property development, construction and mineral resources management. Mr. Wen graduated from Beijing University with a master of 高層經理工商管理 (Business Administration for Senior Manager*) of 光華管理學院 (Guang Hua Management Business School*). Mr. Wen is the general manager of the 濟寧建威安裝工程有限公司 (Jining Jian Wei Installation Co. Ltd.*). Mr. Wen was a member of the 10th Shandong Provincial People's Political Consultative Conference, the Corporate Supervisor of 山東聖泰農村合作銀行 (Shandong Sheng Tai Rural Cooperative Bank*) and Vice Chairman of the 濟寧市伊斯蘭教協會 (Jining Islamic Association*).

Mr. Qie Bing Bing, aged 25, was appointed as a non-executive director of the Company on 5 March 2010. Mr. Qie has a few years of experience in enterprise management, capital operation and mineral resources development. Mr. Qie graduated from the 中央廣播電視大學 (China Central Radio and TV University*) with 工商管理結業證書 (certificate in Business Administration*). Mr. Qie was a sales director of 博世力士電子傳動與控制(深圳)有限公司 (Bosch Rexroth Electric Drives and Controls (Shenzhen) Co., Ltd.*). Mr. Qie is an investment director of 深圳市康沃資本創業投資有限公司 (Shenzhen Careall Capital Investment Co., Ltd.*). Mr. Qie Bing Bing is the nephew of Ms. Li Xiao Mei, the chairman and an executive director of the Company.

* *The English transliteration of the Chinese name(s), where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Directors and Senior Management Profiles

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Wah, aged 45, was appointed as an independent non-executive director, the chairman of the audit committee of the Board and a member of the remuneration committee and the nomination committee of the Company on 12 January 2010. He is a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He graduated from the University of Hong Kong with a Bachelor of Science degree. Mr. Leung has extensive experience in finance and accounting including working experience in international accounting firms, including Ernst & Young and Deloitte Touche Tohmatsu. Mr. Leung is the chief financial officer and company secretary of AUPU Group Holding Company Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Fung Hoi Wing, Henry, aged 54, was appointed as an independent non-executive director, a member of the audit committee, the remuneration committee and the nomination committee of the Company on 12 January 2010. He is a Notary Public and Solicitor of Messrs. Fung, Wong, Ng & Lam, Solicitors and Notaries of Hong Kong. He is also a China-Appointed Attesting Officer. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree. Mr. Fung is an independent non-executive director and a member of the audit committee of CCT Resources Holdings Limited which is listed on the GEM of the Stock Exchange. Mr. Fung was an independent non-executive director and a member of the audit committee of Haier Electronics Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Cheung Chung Leung, Richard, aged 56, was appointed as an independent non-executive director, a member of the nomination committee, the remuneration committee and the audit committee of the Company on 12 January 2010. He has over 30 years of experience as an architect and real estate investment advisor. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor in Architecture. He possesses the People's Republic of China Class 1 Registered Architects Qualification and is a member of the Hong Kong Institute of Architects. He is also a Registered Architect pursuant to the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong). Mr. Cheung is currently an executive director of Waytung Global Group Limited and an independent non-executive director of Tomorrow International Holdings Limited, the shares of both companies are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Wong Tak Shing, aged 47, joined the Group as the chief financial officer of the Company on 13 January 2010. Mr. Wong has over 20 years of experience in corporate finance, accounting, personnel and administration, and has worked in various listed companies on the main board or the GEM of the Stock Exchange. Mr. Wong holds a Postgraduate Diploma in Financial Management from the University of New England, Australia and a Bachelor of Social Science in Business Economics and Accounting from the University of Southampton, UK. Mr. Wong is an associate member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of China Digital Licensing (Group) Limited which is listed on the GEM of the Stock Exchange.

Mr. Samuel Lai, aged 46, joined the Group as the chief administrator of the Company on 1 October 2009. Mr. Lai has over 25 years of commercial experience in Sales, Marketing, Business Development, etc. Mr. Lai has worked for many renowned and international corporations worldwide. Mr. Lai was the General Manager of Kingsmere Development Co. Ltd. in Hong Kong; the Sales Manager of iBiz Inc. in Singapore; Regional Sales Manager (China) of City Networks Limited in the United Kingdom; Director of Business Development (Asia-Pacific) for TransPerfect Translation Inc. in the United Kingdom and the Director of Operation for Greenland Building Materials Co., In Hong Kong. Mr. Lai graduated from the University of Wales, United Kingdom with a Master of Business Administration.

Ms. Li Shan Mui, aged 36, joined the Group as the company secretary of the Company on 12 January 2010. Ms. Li Shan Mui has over 10 years of experience in audit, accounting, budgeting, financial analysis, administration, etc. Ms. Li Shan Mui had been working for many international firms. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Li Shan Mui graduated from University of Hertfordshire, United Kingdom with a Bachelor of Arts degree.

Directors' Report

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

SEGMENT INFORMATION

The analysis of the business and geographical segments of the operations of the Group are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group and the Company at that date, are set out in the financial statements on pages 28 to 60.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the financial statements.

RESERVES

Details of the movements in reserves of the Company and of the Group during the year are set out in note 25 to the financial statements and the consolidated statement of changes in equity on page 31 respectively.

The Company had no reserves available for distribution to the shareholders of the Company as at 31 December 2009 (2008: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group announced in previous years are set out on page 2 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2009 and up to the date of this report were as follows:

Executive Directors

Mr. Chan Chun Tin, Stanley	(resigned on 12 January 2010)
Mr. Ying Kan Man	(resigned on 12 January 2010)
Ms. Li Xiao Mei	(appointed on 12 January 2010)
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)
Mr. Zhang Shi Min	(appointed on 5 February 2010)
Mr. Chan Wai Keung	(appointed on 5 March 2010)

Non-Executive Directors

Mr. Wu Gao Yuan	(appointed on 5 March 2010)
Mr. Wen Wei Zhong	(appointed on 5 March 2010)
Mr. Qie Bing Bing	(appointed on 5 March 2010)

Independent non-executive Directors

Mr. Lung Hung Cheuk	(resigned on 12 January 2010)
Mr. Yip Tai Him	(resigned on 12 January 2010)
General Dato' Seri Mohd Azumi bin Mohamed	(resigned on 12 January 2010)
Mr. Leung Wah	(appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)

Pursuant to bye-law 86(2) of the Company's bye-laws, all Directors shall retire from office at the conclusion of the forthcoming annual general meeting of the Company and they, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 10 to 11.

DIRECTORS' SERVICE CONTRACTS

Ms. Li Xiao Mei, the chairman and executive director of the Company, has not entered into any service agreement with the Company.

Mr. Chan Wai Keung, the chief executive officer and executive director of the Company, has entered into an employment contract with the Company for a term of 2 years with effect from 5 February 2010 and approved by shareholders at the Special General Meeting held on 5 March 2010. Under the employment contract, during the first 2 years from the effective date of the employment (the "Initial Term"), either party may terminate the employment under the employment contract by serving the other party a written notice specifying the termination date and the party elects to terminate the employment shall pay to the other party an amount equivalent to the basic salary and allowances of the employee for the rest of the Initial Term as compensation. After completion of the Initial Term, either party may terminate the employment by serving the other party not less than 3 months' written notice or payment of an amount equivalent to 3 months of the basic salary and allowances in lieu of notice.

Mr. Zhang Shi Min, the executive director of the Company has not entered into any service agreement with the Company.

Directors' Report

DIRECTORS' SERVICE CONTRACTS (Continued)

Each of the non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 5 March 2010, and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Each of the independent non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 12 January 2010, and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company which is not determinable by the Company within the service period without payment of compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance subsisting during or at the end of the year to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2009, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

Name	Number of Shares Personal Interest	Approximate percentage of shareholding
Ms. Li Xiao Mei	9,270,000,000 (Note)	166.49%

Note: These shares are owned by Sound Treasure Holdings Limited, a company wholly owned by Ms. Li Xiao Mei. The 9,270,000,000 shares of the Company which Sound Treasure Holdings Limited is interested in consist of (1) 3,470,000,000 shares of the Company; and (2) a zero coupon convertible bonds of the principal amount of HK\$2,900,000 which can be converted into 5,800,000,000 shares of the Company (subject to adjustment in accordance with the terms and conditions of the convertible bonds) during its conversion period of five years from 4 September 2007.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(Continued)*

Save as disclosed above, as at 31 December 2009, none of the Directors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

SHARE OPTION SCHEME

A share option scheme was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme"). No share options have been granted under the Share Option Scheme since its adoption.

Particulars of the Company's Share Option Scheme are set out in note 24 to the financial statements.

CONVERTIBLE BONDS

Particulars of the Convertible Bonds are set out in note 21 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Saved as disclosed in the section headed "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year had the Directors and chief executives of the Company (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, the interests or short positions of person in the shares and underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Number of shares interested	Capacity in which shares are held	Percentage of issued share capital
Sound Treasure Holdings Limited	9,270,000,000 (Note 1)	Beneficial owner	166.49%
Ms. Li Xiao Mei	9,270,000,000 (Note 1)	Interest in controlled corporation	166.49%
Mr. Pong Wai San, Wilson	1,677,792,000 (Note 2)	Personal	30.13%
Ms. Tung Ching Yee, Helena	1,677,792,000 (Note 2)	Family Interest	30.13%

Notes:

- (1) These shares are owned by Sound Treasure Holdings Limited, a company wholly owned by Ms. Li Xiao Mei. The 9,270,000,000 shares of the Company which Sound Treasure Holdings Limited is interested in consist of (1) 3,470,000,000 shares of the Company; and (2) a zero coupon convertible bonds of the principal amount of HK\$2,900,000 which can be converted into 5,800,000,000 shares of the Company (subject to adjustment in accordance with the terms and conditions of the convertible bonds) during its conversion period of five years from 4 September 2007.
- (2) The 1,677,792,000 shares interested in by Mr. Pong Wai San, Wilson consist of (1) 677,792,000 shares of the Company; and (2) a zero coupon convertible bonds of the principal amount of HK\$500,000 which can be converted into 1,000,000,000 shares of the Company (subject to adjustment in accordance with the terms and conditions of the convertible bonds) during its conversion period of five years from 4 September 2007. Ms. Tung Ching Yee, Helena is the wife of Mr. Pong Wai San, Wilson and accordingly deemed to be interested in the shares beneficially owned by Mr. Pong Wai San, Wilson in his own capacity under SFO.

On 17 March 2010, Mr. Pong disposed of 60,000,000 shares of the Company. After the disposal, he is interested in 1,617,792,000 shares of the Company.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	32
– five largest suppliers combined	99

Sales

– the largest customer	70
– five largest customers combined	91

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the above major suppliers or largest customers of the Group for the year ended 31 December 2009.

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

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rule) has any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests which any such person has or may have with the Group.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2009 are set out in note 15 to the financial statements.

CONNECTED TRANSACTIONS

There were no significant connected transactions entered into by the Group for the year ended 31 December 2009.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

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

Directors' Report

AUDITORS

The Company's auditors, Grant Thornton, would retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. The Company has not changed its auditors in the preceding three years.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the provisions set out in the CG Code for the year ended 31 December 2009.

On behalf of the Board

Li Xiao Mei
Chairman

Hong Kong, 19 March 2010

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the CG Code and complied with the provisions set out in the CG Code for the year ended 31 December 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors, the Directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2009.

BOARD OF DIRECTORS AND BOARD MEETING

The Board members for the year ended 31 December 2009 and up to the date of this annual report were:

Executive Directors

Mr. Chan Chun Tin, Stanley	(resigned on 12 January 2010)
Mr. Ying Kan Man	(resigned on 12 January 2010)
Ms. Li Xiao Mei	(appointed on 12 January 2010)
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)
Mr. Zhang Shi Min	(appointed on 5 February 2010)
Mr. Chan Wai Keung	(appointed on 5 March 2010)

Non-Executive Directors

Mr. Wu Gao Yuan	(appointed on 5 March 2010)
Mr. Wen Wei Zhong	(appointed on 5 March 2010)
Mr. Qie Bing Bing	(appointed on 5 March 2010)

Independent non-executive Directors

Mr. Lung Hung Cheuk	(resigned on 12 January 2010)
Mr. Yip Tai Him	(resigned on 12 January 2010)
General Dato' Seri Mohd Azumi bin Mohamed	(resigned on 12 January 2010)
Mr. Leung Wah	(appointed on 12 January 2010)
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)

The Board is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly, interim and annual accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Each of the Directors' biographical information is set out on pages 10 to 11 of this annual report. All executive directors have given sufficient time and attention to the affairs of the Group and each of them has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The Company had appointed three independent non-executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. All of them have been appointed for a term of 1 year with commencing from the date of their appointment.

To the best knowledge of the Company, save as the relationship between Ms. Li Xiao Mei, the chairman and executive director of the Company, and Mr. Qie Bing Bing, a non-executive director of the Company as disclosed above in the section headed "Directors and Senior Management Profiles", there is no financial, business, family or other material/relevant relationship among the members of the Board.

Directors' Appointment, Re-election and Removal

Ms. Li Xiao Mei, the chairman and executive director, has not entered into any service agreement with the Company.

Mr. Chan Wai Keung, the chief executive officer and executive director, has entered into a employment contract with the Company on for a fixed term of 2 years with effect from 5 February 2010 and approved by shareholders at the Special General Meeting held on 5 March 2010. Pursuant to said employment contract, during the first 2 years from the effective date of the employment (the "Initial Term"), either party may terminate the employment under the employment contract by serving the other party a written notice specifying the termination date and the party elects to terminate the employment shall pay to the other party an amount equivalent to the basic salary and allowances of the employee for the rest of the Initial Term as compensation. After completion of the Initial Term, either party may terminate the employment by serving the other party not less than 3 months' written notice or payment of an amount equivalent to 3 months of the basic salary and allowances in lieu of notice.

Mr. Zhang Shi Min, the executive director, has not entered into any service agreement with the Company.

Each of the non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 5 March 2010, and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

Each of the independent non-executive directors has signed a letter of appointment with the Company for a term of 1 year with effect from 12 January 2010, and their appointment are subject to retirement by rotation and/or re-election at the Company's annual general meeting in accordance with the bye-laws of the Company.

In accordance with the Company's bye-laws, any director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

Corporate Governance Report

BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

Independent non-executive Directors

Pursuant to the requirements of the Rule 5.09 of the GEM Listing Rules, the Company has received written confirmation from each of the independent non-executive directors of his independence. Based on such confirmations of independence, the Company considers all of the independent non-executive directors to be independent under Rule 5.09 of the GEM Listing Rules.

Board Meetings and Board Practices

The Board meets four times a year to review the financial and operating performance of the Group.

Details of the attendance of the meetings of the Board are as follows:

Directors		Attendance
Mr. Chan Chun Tin, Stanley	(resigned on 12 January 2010)	4/4
Mr. Ying Kan Man	(resigned on 12 January 2010)	4/4
Mr. Lung Hung Cheuk	(resigned on 12 January 2010)	4/4
Mr. Yip Tai Him	(resigned on 12 January 2010)	4/4
General Dato' Seri Mohd Azumi bin Mohamed	(resigned on 12 January 2010)	4/4
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)	N/A
Ms. Li Xiao Mei	(appointed on 12 January 2010)	N/A
Mr. Leung Wah	(appointed on 12 January 2010)	N/A
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	N/A
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	N/A
Mr. Zhang Shi Min	(appointed on 5 February 2010)	N/A
Mr. Chan Wai Keung	(appointed on 5 March 2010)	N/A
Mr. Wu Gao Yuan	(appointed on 5 March 2010)	N/A
Mr. Wen Wei Zhong	(appointed on 5 March 2010)	N/A
Mr. Qie Bing Bing	(appointed on 5 March 2010)	N/A

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors have access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In order to reinforce their respective independence, accountability and responsibility, and to avoid power being concentrated in any one individual, the role of the Chairman is separated from that of the Chief Executive Officer. The Chairman of the Group is Ms. Li Xiao Mei and the Chief Executive Officer of the Group is Mr. Chan Wai Keung. Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the Chief Executive Officer, supported by the executive directors and senior management, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established with written terms of reference in compliance with the provisions set out in the CG Code particularly A.4.5 of the CG Code. As at the date of this annual report, the Nomination Committee comprises of four members, Mr. Zhang Shi Min, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard. Except for Mr. Zhang Shi Min, all of the members of the Nomination Committee are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Zhang Shi Min.

The roles and functions of the Nomination Committee include the following:

- (1) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board;
- (2) identify suitable candidates qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (3) assess the independence of independent non-executive directors; and
- (4) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company.

The Board's criteria for nominating a suitable candidate for Directorship involves the consideration of the candidate's education, background, experience, qualification, reputation and such other attributes.

Nomination Committee meetings were held on 9 January 2009 and 17 March 2009, for, amongst other matters, reviewing the structure, size and composition of the Board, assessing the continual independence of the independent non-executive directors, considering and recommending the re-election of the retiring Directors, considering the extension of the term of service of Mr. Yip Tai Him, Mr. Lung Hung Cheuk and General Dato' Seri Mohd Azumi bin Mohamed as independent non-executive directors.

Corporate Governance Report

NOMINATION COMMITTEE *(Continued)*

The Nomination Committee held two meetings during the year ended 31 December 2009 and the attendance record of these meetings are as follows:

Members		Attendance
Mr. Lung Hung Cheuk	(resigned on 12 January 2010)	2/2
Mr. Yip Tai Him	(resigned on 12 January 2010)	2/2
General Dato' Seri Mohd Azumi bin Mohamed	(resigned on 12 January 2010)	2/2
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)	N/A
Mr. Leung Wah	(appointed on 12 January 2010)	N/A
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	N/A
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	N/A
Mr. Zhang Shi Min	(appointed on 5 February 2010)	N/A

In accordance with the Company's bye-laws, any director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Also, all directors are subject to retirement by rotation at least once every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established with written terms of reference in compliance with the provisions set out in the CG Code particularly B.1.3 of the CG Code. As at the date of this annual report, the Remuneration Committee comprises of four members, Mr. Zhang Shi Min, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard. Except for Mr. Zhang Shi Min, all of the members of the Remuneration Committee are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Zhang Shi Min.

The roles and functions of the Remuneration Committee include the following:

- (1) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (2) determine the specific remuneration packages of all executive directors and senior management and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- (3) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (4) review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

Corporate Governance Report

REMUNERATION COMMITTEE (Continued)

- (5) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- (6) ensure that no director or any of his associates is involved in deciding his own remuneration.

Remuneration Committee meetings were held on 9 January 2009, 17 March 2009 and 8 May 2009 to review, consider and approve the remuneration policy of the Group and specially reviewed the remuneration package of Mr. Chan Chun Tin, Stanley and Mr. Ying Kan Man as executive directors and the extension of term of service of Mr. Yip Tai Him, Mr. Lung Hung Cheuk and General Dato' Seri Mohd Azumi bin Mohamed as independent non-executive directors.

The Remuneration Committee held three meetings during the year ended 31 December 2009 and the attendance record of these meetings are as follows:

Members		Attendance
Mr. Lung Hung Cheuk	(resigned on 12 January 2010)	3/3
Mr. Yip Tai Him	(resigned on 12 January 2010)	3/3
General Dato' Seri Mohd Azumi bin Mohamed	(resigned on 12 January 2010)	3/3
Mr. Gan Hongzhi	(appointed on 12 January 2010 and resigned on 5 February 2010)	N/A
Mr. Leung Wah	(appointed on 12 January 2010)	N/A
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	N/A
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	N/A
Mr. Zhang Shi Min	(appointed on 5 February 2010)	N/A

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the provisions set out in the CG Code particularly C.3.3 of the CG Code and Rules 5.28 and 5.33 of the GEM Listing Rules and which had been revised on 1 March 2008. As at the date of this annual report, the Audit Committee comprises of three members, Mr. Leung Wah, Mr. Fung Hoi Wing, Henry and Mr. Cheung Chung Leung, Richard and all of them are independent non-executive directors. The chairman of the Audit Committee is Mr. Leung Wah.

The roles and functions of the Audit Committee include the following:

- (1) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (2) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee will also discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

- (3) develop and implement policy on the engagement of an external auditors to supply non-audit services. The Audit Committee will report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (4) monitor integrity of financial statements of an Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them;
- (5) review the Company's financial controls, internal control and risk management systems;
- (6) to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (7) review the Group's financial and accounting policies and practices; and
- (8) review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provide a timely response to the issues raised.

Audit Committee meetings were held on 17 March 2009, 8 May 2009, 10 August 2009 and 9 November 2009, amongst other matters, to consider the annual results of the Group ending 31 December 2008, the quarterly results of the Group for the three months ended 31 March 2009 and the nine months ended 30 September 2009 and the interim results of the Group for the six months ended 30 June 2009, reviewing of connected transactions, re-appointment of auditor, discussing with the auditors of the Company on internal control, auditors' independence and remuneration and the scope of work in relation to the annual audit.

The Audit Committee held four meetings during the year ended 31 December 2009 and the attendance record of these meetings are as follows:

Members		Attendance
Mr. Lung Hung Cheuk	(resigned on 12 January 2010)	4/4
Mr. Yip Tai Him	(resigned on 12 January 2010)	4/4
General Dato' Seri Mohd Azumi bin Mohamed	(resigned on 12 January 2010)	4/4
Mr. Leung Wah	(appointed on 12 January 2010)	N/A
Mr. Fung Hoi Wing, Henry	(appointed on 12 January 2010)	N/A
Mr. Cheung Chung Leung, Richard	(appointed on 12 January 2010)	N/A

Corporate Governance Report

INTERNAL CONTROL

The Board has overall responsibility for maintaining effective internal control to safeguard the Group's assets and the shareholders' interests. The Board has conducted regular reviews on the effectiveness of the Group's all material internal controls during the year.

The Board monitors the Group's progress on corporate governance practices. Periodic meetings are held, and circulars or guidance notes are issued to Directors and senior management of the Company to ensure awareness of best corporate governance practices.

AUDITORS' REMUNERATION

The Company has appointed Messrs. Grant Thornton as the auditors of the Group (the "Auditors"). The Board is authorized in the annual general meeting of the Company to determine the remuneration of the Auditors. During the year, the Auditors performed the work of statutory audit for the year ended 31 December 2009 and also involved in non-audit assignment of the Group. The remuneration of the Auditors for the year ended 31 December 2009 for the work of statutory audit and non-audit assignment are approximately HK\$300,000 and HK\$81,000 respectively.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledge their responsibility for the preparation and true and fair presentation of the financial statements of the Company. In preparing the financial statements, the financial reporting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to the events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the ongoing concern basis in preparing the financial statements.

The Auditors' responsibilities are set out in the section headed "Independent Auditors' Report".

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. Therefore, the Company uses a number of formal communication channels to account to the shareholders and investors for the performance of the Company, which include the publication of the reports on the website of the Company, holding of the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board and updating key information of the Group available on the website of the Company.

Independent Auditors' Report



Member of Grant Thornton International Ltd

To the members of UURG Corporation Limited

(continued in Bermuda with limited liability)

We have audited the consolidated financial statements of UURG Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 60, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 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 financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of Bermuda Companies Act 1981, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 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.

Grant Thornton

Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

19 March 2010

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	5	14,553	1,193
Other income	5	66	90
Materials and consumable used		(11,665)	(201)
Depreciation		(51)	(49)
Staff costs	12	(6,406)	(3,505)
Other operating expenses		(5,588)	(4,463)
Loss from operations		(9,091)	(6,935)
Finance costs	7	(261)	(239)
Loss before income tax	8	(9,352)	(7,174)
Income tax credit	9	43	51
Net loss for the year		(9,309)	(7,123)
Other comprehensive income, including reclassification adjustments			
Exchange gain/(loss) on translation of financial statements of foreign operations		12	(3)
Other comprehensive income for the year, including reclassification adjustments and net of tax		12	(3)
Total comprehensive income for the year		(9,297)	(7,126)
Loss for the year attributable to the owners of the Company	10	(9,309)	(7,123)
Total comprehensive income for the year attributable to the owners of the Company		(9,297)	(7,126)
Loss per share	11		
– Basic		HK(0.17) cents	HK(0.13) cents
– Diluted		N/A	N/A

Consolidated Statement of Financial Position

as at 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	6	193
Current assets			
Inventories	16	489	–
Trade receivables	17	7,099	–
Other receivables, deposits and prepayments		658	860
Cash and cash equivalents	18	8,097	17,495
		16,343	18,355
Current liabilities			
Trade payables	20	6,158	38
Accruals and other payables		1,529	769
		7,687	807
Net current assets		8,656	17,548
Total assets less current liabilities		8,662	17,741
Non-current liabilities			
Convertible bonds	21	2,543	2,282
Deferred tax liabilities	22	141	184
		2,684	2,466
Net assets		5,978	15,275
EQUITY			
Equity attributable to the owners of the Company			
Share capital	23	2,784	2,784
Reserves		3,194	12,491
Total equity		5,978	15,275

Li Xiaomei
Chairman

Chan Wai Keung
Director

Statement of Financial Position

as at 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	15	2,745	18,874
Current assets			
Prepayments		93	254
Cash and cash equivalents	18	3,932	591
		4,025	845
Current liabilities			
Accruals and other payables		585	164
Amounts due to a subsidiary	19	344	384
		929	548
Net current assets		3,096	297
Total assets less current liabilities		5,841	19,171
Non-current liabilities			
Convertible bonds	21	2,543	2,282
Deferred tax liabilities	22	141	184
		2,684	2,466
Net assets		3,157	16,705
EQUITY			
Share capital	23	2,784	2,784
Reserves	25	373	13,921
Total equity		3,157	16,705

Li Xiaomei
Chairman

Chan Wai Keung
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	2,134	1,030	–	11	1,383	–	(2,887)	1,671
Partial conversion of convertible bonds	600	–	16	–	(251)	–	–	365
Deferred tax relating to conversion of convertible bonds	–	–	–	–	41	–	–	41
Issue of shares	50	–	20,350	–	–	–	–	20,400
Share issue expenses	–	–	(93)	–	–	–	–	(93)
Deferred tax attributable to reduction in tax rate	–	–	–	–	17	–	–	17
Transactions with owners	650	–	20,273	–	(193)	–	–	20,730
Net loss for the year	–	–	–	–	–	–	(7,123)	(7,123)
Other comprehensive income								
Translation difference (Net loss recognised directly in equity)	–	–	–	–	–	(3)	–	(3)
Total comprehensive income for the year	–	–	–	–	–	(3)	(7,123)	(7,126)
At 31 December 2008 and 1 January 2009	2,784	1,030	20,273	11	1,190	(3)	(10,010)	15,275
Net loss for the year	–	–	–	–	–	–	(9,309)	(9,309)
Other comprehensive income								
Translation difference (Net income recognised directly in equity)	–	–	–	–	–	12	–	12
Total comprehensive income for the year	–	–	–	–	–	12	(9,309)	(9,297)
At 31 December 2009	2,784	1,030*	20,273*	11*	1,190*	9*	(19,319)*	5,978

* The aggregated amount of these balances of HK\$3,194,000 (2008 HK\$12,491,000) in surplus is included as reserves in the consolidated statement of financial position.

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2002.

Consolidated Statement of Cash Flow

for the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Cash flows from operating activities			
Loss before income tax		(9,352)	(7,174)
Adjustments for:			
Interest income	5	(66)	(88)
Interest expenses on convertible bonds	7	261	239
Depreciation	8	51	49
Property, plant and equipment written off	8	143	–
Operating loss before working capital changes		(8,963)	(6,974)
Increase in inventories		(489)	–
Increase in trade receivables		(7,099)	–
Decrease/(Increase) in other receivables, deposits and prepayments		202	(653)
Increase in trade payables		6,120	38
Increase/(Decrease) in accruals and other payables		760	(31)
<i>Net cash used in operating activities</i>		(9,469)	(7,620)
Cash flows from investing activities			
Interest received		66	88
Purchase of property, plant and equipment		(7)	(135)
<i>Net cash generated from/(used in) investing activities</i>		59	(47)
Cash flows from financing activities			
Proceeds from the issue of shares	23(i)	–	20,400
Share issue expenses		–	(93)
<i>Net cash generated from financing activities</i>		–	20,307
Net (decrease)/increase in cash and cash equivalents		(9,410)	12,640
Cash and cash equivalents at beginning of the year		17,495	4,858
Effect of foreign exchange rate changes		12	(3)
Cash and cash equivalents at end of the year		8,097	17,495

Notes to the Financial Statements

for the year ended 31 December 2009

1. GENERAL INFORMATION

UURG Corporation Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Unit 2803, 28th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (together with the Company referred as the "Group") are set out in note 15 to the financial statements.

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 19 March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 28 to 60 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

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

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements.

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. 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, subsidiaries are carried at cost less impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Foreign currencies

The financial statements are presented in Hong Kong Dollars (HK\$), which is the functional currency of the Company.

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

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

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

When a foreign operation is sold, such exchange differences are recognised in profit and loss as part of the gain or loss on sale.

2.5 Revenue recognition

Revenue comprises the fair value of consideration received for the rendering of services. Provided it is probable that the economic benefit will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

2.7 Impairment testing of non-financial assets

Property, plant and equipment and interests in subsidiaries are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

2.8 Leases

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

Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

Lease incentives received are recognised in profit and loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit and loss in the accounting period in which they are incurred.

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

The Group's financial assets include trade and other receivables and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in the statement of comprehensive income.

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

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

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

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

Impairment of financial assets

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

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

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

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

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

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

2.11 Accounting for income taxes

Income tax comprises current and deferred tax.

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

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

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

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

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Accounting for income taxes (Continued)

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

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

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

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decision, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Retirement benefit costs and short term employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

The employees of the Group's subsidiary which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

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

Short-term employee benefits

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

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

2.16 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

2.17 Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables and convertible bonds. They are included in the line items in the statement of financial position as "Trade payables", "Accruals and other payables" and "Convertible bonds" under current and non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing cost (see note 2.16).

Notes to the Financial Statements

for the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Financial liabilities (Continued)

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amount is recognised in profit and loss.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bonds into equity, is included in equity as equity components of convertible bonds.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bonds.

When the bonds are converted, the convertible bonds equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the convertible bonds equity reserve is released directly to accumulated losses.

Trade payables and accruals and other payables

Trade payables and accruals and other payables are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified a single reportable segment in provision of information technology and engineering consultancy services in the PRC.

Notes to the Financial Statements

for the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Interpretation 15	Agreements for the construction of real estate
Various	Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosure. The measurement and recognition of the Group’s assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of property, plant and equipment. HKAS 1 affects the presentation of owner changes in equity and introduces a “Statement of comprehensive income”. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group’s financial statements.

HKFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree’s identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

Notes to the Financial Statements

for the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued) HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial positions in the first year of application.

HKAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group did not adopt critical accounting estimates and judgements in the preparation of the financial statement.

5. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of the amounts received and receivable from third parties in connection with the provision of information technology and engineering consultancy services. Revenue and other income recognised during the year are as follows:

	2009 HK\$'000	2008 HK\$'000
Revenue		
Service income	14,553	1,193
Other income		
Net exchange gain	–	2
Interest income on financial assets stated at amortised cost	66	88
	66	90

Notes to the Financial Statements

for the year ended 31 December 2009

6. SEGMENT REPORTING

The executive directors have identified the Group's operation is regarded as a single business segment which is the provision of information technology and engineering consultancy services.

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Bermuda (domicile)	–	–	–	–
PRC	14,553	1,193	6	–
Hong Kong	–	–	–	193
Total	14,553	1,193	6	193

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets.

During 2009, HK\$10,137,000 or 70% of the Group's revenue depended on a single customer (2008: HK\$900,000 or 90%).

At the reporting date 79% of the Group's trade receivables were due from this customer (2008: Nil).

7. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Interest expenses on convertible bonds carried at amortised cost	261	239

8. LOSS BEFORE INCOME TAX

	2009 HK\$'000	2008 HK\$'000
Loss before income tax is arrived at after charging:		
Auditors' remuneration	313	300
Depreciation of owned assets	51	49
Net foreign exchange loss	9	–
Operating lease rentals in respect of land and buildings	2,291	699
Property, plant and equipment written off	143	–

Notes to the Financial Statements

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9. INCOME TAX CREDIT

The Company is not subject to taxes in profits, income or dividends in Bermuda. Its subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at the rates of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

No provision for taxation has been made in the financial statements as the subsidiaries in Hong Kong had no assessable profit for the year (2008: Nil).

The income tax provision in respect of operations in the PRC is calculated at the applicable rates on the estimated assessable profits for the year based on the unification of income tax rates for domestic-invested and foreign-invested enterprises at 25%. The income tax provision in respect of operations in Malaysia is calculated at the applicable rate 25%. No provision for taxation has been made in the financial statements as the subsidiaries in the PRC and Malaysia had no assessable profit for the year (2008: Nil).

	2009 HK\$'000	2008 HK\$'000
Deferred tax (note 22)		
Reversal of deferred tax liabilities	(43)	(51)
Total income tax credit	(43)	(51)

Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2009 HK\$'000	2008 HK\$'000
Loss before income tax	(9,352)	(7,174)
Tax on loss before income tax, calculated at the rates applicable to loss in the tax jurisdiction concerned	(1,572)	(1,229)
Tax effect of non-deductible expenses	1,599	616
Tax effect of non-taxable income	(60)	(16)
Tax effect of temporary differences not recognised	–	(22)
Tax effect of unused tax losses not recognised	33	651
Reversal of deferred tax liabilities	(43)	(51)
Total income tax credit	(43)	(51)

10. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated net loss for the year of HK\$9,309,000 (2008: HK\$7,123,000), a loss of HK\$13,548,000 (2008: HK\$5,792,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

for the year ended 31 December 2009

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$9,309,000 (2008: HK\$7,123,000) and on the weighted average number of 5,568,000,000 ordinary shares (2008: 5,422,982,236 ordinary shares) in issue during the year.

No diluted result per share has been presented because the potential ordinary shares had anti-dilutive effect for each of the two years ended 31 December 2009 and 2008.

12. STAFF COSTS (including directors' emoluments)

	2009 HK\$'000	2008 HK\$'000
Wages and salaries	6,113	3,333
Retirement benefits scheme contributions	112	59
Staff benefits	181	113
	6,406	3,505

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's retirement scheme contributions HK\$'000	Total HK\$'000
2009				
<i>Executive directors:</i>				
Mr. Chan Chun Tin, Stanley ¹	–	68	7	75
Mr. Ying Kan Man ¹	–	160	8	168
	–	228	15	243
<i>Independent non-executive directors:</i>				
Mr. Lung Hung Cheuk ²	50	–	–	50
Mr. Yip Tai Him ²	50	–	–	50
General Dato' Seri Mohd Azumi bin Mohamed ²	240	–	–	240
	340	–	–	340
	340	228	15	583

Notes to the Financial Statements

for the year ended 31 December 2009

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(a) Directors' emoluments (Continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's retirement scheme contributions HK\$'000	Total HK\$'000
2008				
<i>Executive directors:</i>				
Mr. Chan Chun Tin, Stanley ¹	–	68	6	74
Mr. Ying Kan Man ¹	–	160	7	167
Mr. Pong Wai San, Wilson ³	–	–	–	–
Mr. Lau Wai Shu ³	–	364	8	372
	–	592	21	613
<i>Independent non-executive directors:</i>				
Mr. Lung Hung Cheuk ²	50	–	–	50
Mr. Yip Tai Him ²	42	–	–	42
Mr. Ko Chun Hay, Kelvin ⁴	7	–	–	7
General Dato' Seri Mohd Azumi bin Mohamed ²	160	–	–	160
Mr. Lai Hin Wing, Henry ⁵	32	–	–	32
	291	–	–	291
	291	592	21	904

1 The executive directors, Mr. Chan Chun Tin, Stanley and Mr. Ying Kan Man, resigned on 12 January 2010.

2 The independent non-executive directors, Mr. Lung Hung Cheuk, Mr. Yip Tai Him and General Dato' Seri Mohd Azumi bin Monhamed, resigned on 12 January 2010.

3 The executive directors, Mr. Pong Wai San, Wilson and Mr. Lau Wai Shu, resigned on 30 August 2008.

4 The independent non-executive director, Mr. Ko Chun Hay, Kelvin, resigned on 1 March 2008.

5 The independent non-executive director, Mr. Lai Hin Wing, Henry resigned on 30 August 2008.

Notes to the Financial Statements

for the year ended 31 December 2009

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(Continued)

(b) Five highest paid individuals

The five highest paid individuals during the year included no (2008: one former director, whose emoluments are set out above) director. The details of the emoluments of the five (2008: remaining four) highest paid individuals are as follows:

	2009 HK\$'000	2008 HK\$'000
Basic salaries and allowances	3,930	1,781
Retirement benefits scheme contributions	90	49
	4,020	1,830

One of the above highest paid individuals (2008: none) received individual emoluments in excess of HK\$1 million. The remaining four of the above highest paid individuals (2008: five) received individual emoluments below HK\$1 million.

During each of the two years ended 31 December 2009 and 2008, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2009 and 2008.

Notes to the Financial Statements

for the year ended 31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK\$'000
<hr/>	
At 1 January 2008	
Cost	222
Accumulated depreciation	(115)
Net book amount	107
<hr/>	
Year ended 31 December 2008	
Opening net book amount	107
Additions	135
Depreciation	(49)
Closing net book amount	193
<hr/>	
At 31 December 2008	
Cost	357
Accumulated depreciation	(164)
Net book amount	193
<hr/>	
Year ended 31 December 2009	
Opening net book amount	193
Additions	7
Written off	(143)
Depreciation	(51)
Closing net book amount	6
<hr/>	
At 31 December 2009	
Cost	7
Accumulated depreciation	(1)
Net book amount	6
<hr/>	

Notes to the Financial Statements

for the year ended 31 December 2009

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	390	400
Less: Impairment	–	(10)
	390	390
Amounts due from subsidiaries	16,582	26,732
Less: Provision for amounts due from subsidiaries	(14,227)	(8,248)
	2,355	18,484
	2,745	18,874

The amounts due from subsidiaries are unsecured, interest-free and not repayable within twelve months from 31 December 2009. In the opinion of the directors, the settlement of these amounts due from subsidiaries is neither planned nor likely to occur in the foreseeable future and in substance, these amounts are extensions of the Company's investments in these subsidiaries.

Details of the Company's subsidiaries at 31 December 2009 are as follows:

Name of Subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company		Principal activities and place of operations
			Directly	Indirectly	
Global Solution Engineering (HK) Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	–	Dormant
Ally Champ Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	–	Dormant
UURG (Hong Kong) Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	–	Provision of information technology and engineering consultancy services in Hong Kong
UURG (China) Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	–	Investment holding in Hong Kong
UURG Controls (Shenzhen) Limited	The PRC, limited liability company	Registered and paid-up capital of HK\$5,000,000	–	100%	Provision of information technology and engineering consultancy services in the PRC

Notes to the Financial Statements

for the year ended 31 December 2009

15. INTERESTS IN SUBSIDIARIES (Continued)

Name of Subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up share capital	Percentage of issued capital held by the Company		Principal activities and place of operations
			Directly	Indirectly	
UURG Limited	Hong Kong, limited liability company	1 ordinary share of HK\$1	100%	–	Dormant
UURG (Malaysia) Limited	British Virgins Island, limited liability company	50,000 ordinary shares of US\$1 each	100%	–	Dormant
UURG MSC Sdn Bhd*	Malaysia, limited liability company	2 ordinary share of RM1 each	–	100%	Dormant

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year. The financial statements of the above subsidiaries were audited by Grant Thornton, Hong Kong for statutory purpose and/or for the purpose of group consolidation.

* Subsidiaries newly set up during the year

Impairment on amounts due from subsidiaries is determined using the lower of amounts due from subsidiaries and the net liabilities value of the relevant subsidiary. No provision is required for subsidiaries with net assets value.

16. INVENTORIES

	Group	
	2009 HK\$'000	2008 HK\$'000
Finished goods	489	–

17. TRADE RECEIVABLES

	Group	
	2009 HK\$'000	2008 HK\$'000
Trade receivables	7,099	–

The directors of the Company consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Notes to the Financial Statements

for the year ended 31 December 2009

17. TRADE RECEIVABLES (Continued)

The average credit periods on sales of goods are 30 days. The following is an ageing analysis of trade receivables based on invoice dates:

	2009 HK\$'000	2008 HK\$'000
0-30 days	6,788	–
31-60 days	–	–
61-90 days	–	–
Over 90 days	311	–
	7,099	–

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	2009 HK\$'000	2008 HK\$'000
1-90 days past due	268	–
91-180 days past due	–	–
181-360 days past due	43	–
	311	–

As at 31 December 2009, trade receivable of HK\$6,788,000 (2008:Nil) were neither past due nor impaired. These related to certain member of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collaterals in respect of trade receivables past due but not impaired.

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash at bank and in hand	8,097	17,495	3,932	591

The effective interest rates of the bank balances of the Group and the Company ranged from 0.5% to 1.1% (2008: 0.5% to 4.2%) per annum.

Included in bank and cash balances of the Group is HK\$2,809,000 (2008: HK\$1,641,000) of bank balances dominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Notes to the Financial Statements

for the year ended 31 December 2009

19. AMOUNTS DUE TO A SUBSIDIARY

The amounts due was unsecured, interest-free and have no fixed terms of repayment.

20. TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 – 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Current	6,135	38
31-60 days	–	–
61-90 days	23	–
	6,158	38

21. CONVERTIBLE BONDS

	The Group and Company	
	2009 HK\$'000	2008 HK\$'000
Convertible bonds	2,543	2,282

The convertible bonds were issued by the Company on 4 September 2007. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date.

For the year ended 31 December 2009, no convertible bonds were converted. On 4 February 2008, the convertible bonds with principal amount of HK\$600,000 were converted in 1,200,000,000 ordinary shares at the conversion price of HK\$0.0005 per share. As at 31 December 2009 and 2008, the balance of principal amount of convertible bonds was HK\$3,400,000.

If the bonds have not been converted, they will be redeemed on 4 September 2012 at par. The convertible bonds do not bear any interests.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The excess of consideration received on issue of the convertible bonds over the fair value of liability component, representing the value of the equity conversion component, is included in shareholders' equity in convertible bonds equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in Hong Kong dollars which is the functional currency of the Company.

Notes to the Financial Statements

for the year ended 31 December 2009

21. CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the statement of financial position are calculated as follows:

	The Group and the Company	
	2009 HK\$'000	2008 HK\$'000
Nominal value of convertible bonds	4,000	4,000
Equity component	(1,676)	(1,676)
Liability component on initial recognition	2,324	2,324
Conversion of the convertible bonds	(365)	(365)
Accumulated interest expenses recognised	584	323
Liability component at 31 December	2,543	2,282

Interest expenses on the convertible bonds of HK\$261,000 (2008: HK\$239,000) is calculated using the effective interest method by applying the effective interest rate of 11.473% per annum to the liability component.

22. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary difference under the liabilities method using a principal taxation rate of 16.5% (2008: 16.5%).

Recognised deferred tax liabilities

	The Group and the Company	
	2009 HK\$'000	2008 HK\$'000
Convertible bonds	141	184
Net deferred tax liabilities	141	184

The movement in the deferred tax liabilities is as follows:

	The Group and the Company	
	2009 HK\$'000	2008 HK\$'000
At 1 January	184	293
Attributable to change in tax rate	–	(17)
Conversion of convertible bonds	–	(41)
Credited to statement of comprehensive income (note 9)	(43)	(51)
At 31 December	141	184

Notes to the Financial Statements

for the year ended 31 December 2009

22. DEFERRED TAXATION (Continued)

Unrecognised deferred tax assets

As at 31 December 2009, the Group and the Company had unutilised tax losses of HK\$16,369,000 (2008: HK\$16,041,000) and HK\$12,539,000 (2008: HK\$6,666,000) respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Unused tax losses of the Group of HK\$15,753,000 (2008: HK\$15,558,000) have no expiry date whereas the balance of HK\$616,000 (2008: HK\$483,000) will expire in 2013 and the unused tax losses of the Company of HK\$12,539,000 (2008: HK\$6,666,000) have no expiry date.

23. SHARE CAPITAL

	2009		2008	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.0005 (2008: HK\$0.0005) each at end of year	40,000,000	20,000	40,000,000	20,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.0005 (2008: HK\$0.08) each at beginning of year	5,568,000	2,784	4,268,000	2,134
Issue of ordinary shares (Note (i))	–	–	100,000	50
Issue of ordinary shares upon conversion of convertible bonds (Note (ii))	–	–	1,200,000	600
Ordinary shares of HK\$0.0005 (2008: HK\$0.0005) each at end of year	5,568,000	2,784	5,568,000	2,784

Notes:

(i) Issue of ordinary shares

The Company entered into a subscription agreement with Mr. Pong Wai San, Wilson on 18 April 2008. Pursuant to the subscription agreement, the Company issued a total of 100,000,000 subscription shares at subscription price of HK\$0.204 per share. The issued share capital of the Company was then increased from HK\$2,134,000 to HK\$2,184,000 as enlarged by the allotment and issue of the subscription shares on 2 May 2008.

(ii) Issue of ordinary shares upon conversion of convertible bonds

Pursuant to an ordinary resolution passed on 29 January 2008, 1,200,000,000 ordinary shares were issued at a price of HK\$0.0005 per share, according to the terms and conditions of the bonds. The new shares rank pari passu in all respects with the existing shares of the Company in issue.

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24. SHARE OPTION SCHEME

The current share option scheme in force was adopted and approved by the sole member of the Company on 26 October 2002 (the "Share Option Scheme").

The Share Option Scheme was adopted for a period of 10 years commencing from 26 October 2002 pursuant to a written resolution of the sole member passed on 26 October 2002 for the primary purpose of providing incentives or rewards to directors and eligible employees. Under the Share Option Scheme, the Company may grant options to eligible employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. In addition, under the Share Option Scheme, the Company may, from time to time, grant share options to any contractor, supplier, customer, agent or advisor, of the Group at the discretion of the board of directors.

The number of shares which may be issued under the Share Option Scheme is subject to the following limits:

- (i) the maximum 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 any other share option scheme of the Company must not in aggregate exceed 30% of the total number of issued shares of the Company from time to time.
- (ii) as refreshed by the shareholders in the general meeting on 5 May 2008, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 556,800,000 shares, representing 10% of the issued share capital of the Company at 5 May 2008.

A nominal consideration of HK\$10 is payable upon acceptance of the grant of the options. The exercise price is determined by the directors of the Company and will be the highest of: (a) the closing price of the ordinary shares of the Company on the date of offer; (b) the average of the closing prices of the ordinary shares of the Company for the five business days immediately preceding the date of offer; and (c) the nominal value of the ordinary shares of the Company.

Any options granted under the Share Option Scheme must be exercised during such option period as may be determined and notified by the directors of the Company, which shall not exceed 10 years from the date of grant of the options.

No options had been granted or remained outstanding for each of the two years ended 31 December 2009 and 2008.

Notes to the Financial Statements

for the year ended 31 December 2009

25. RESERVES The Company

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Convertible bonds equity reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	–	1,030	742	1,383	(3,522)	(367)
Issue of shares upon conversion of convertible bonds	16	–	–	(251)	–	(235)
Issue of new shares	20,350	–	–	–	–	20,350
Share issue expenses	(93)	–	–	–	–	(93)
Deferred tax attributable to reduction in tax rate	–	–	–	17	–	17
Deferred tax relating to conversion of convertible bond	–	–	–	41	–	41
Net loss for the year	–	–	–	–	(5,792)	(5,792)
At 31 December 2008 and 1 January 2009	20,273	1,030	742	1,190	(9,314)	13,921
Net loss for the year	–	–	–	–	(13,548)	(13,548)
At 31 December 2009	20,273	1,030	742	1,190	(22,862)	373

The contributed surplus of the Company represents the difference between the aggregate net assets of the subsidiaries acquired by the Company under the group reorganisation in 2002 and the nominal amount of the Company's shares issued for the acquisition.

26. OPERATING LEASE COMMITMENTS

As at 31 December 2009, the total future minimum lease payments of the Group under non-cancellable operating lease in respect of land and buildings are payable as follows:

	The Group	
	2009 HK\$'000	2008 HK\$'000
Within one year	246	1,872
In the second to fifth years inclusive	–	1,357
	246	3,229

The Group leases an office premise under operating leases. The leases run for an initial period of two years, without any option to renew the lease terms at the expiry date and do not include any contingent rentals.

The Company does not have any significant operating lease commitments at the reporting date (2008: Nil).

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27. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of other related party transactions during the year ended 31 December 2009 are disclosed as follows:

	2009 HK\$'000	2008 HK\$'000
Compensation of key management personnel:		
Total remuneration of directors and other members of key management personnel during the year	583	904

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether these changes are caused by factors specific to the individual financial instrument or its issuers, or factors affecting all similar financial instrument traded in the market. The Group does not have written risk management policies and guidelines. However, the directors closely monitor and focus on actively securing the Group's short to medium term cash flows by minimising the exposure to financial market.

The Group does not actively involve in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

(i) Interest rate risk

The Group's exposure to changes in interest rates mainly due to cash and cash equivalents which earn interest at floating rates. However, the directors are of the opinion that the sensitivity of the Group's result for the year to the reasonably possible change in interest rate in the coming twelve months is considered as minimal.

(ii) Foreign currency risk

The Group mainly operates in Hong Kong and the PRC. The functional currencies of the Company and its subsidiaries are mainly HK\$ and RMB with certain of their business transactions being settled in RMB. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As the functional currency of the PRC subsidiary is also RMB, thus, the management considered the foreign exchange exposure is minimal.

Notes to the Financial Statements

for the year ended 31 December 2009

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risks

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in financial loss. The carrying amounts of cash and cash equivalents and trade and other receivables included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arises when the Group has significant exposure to individual customers. At the reporting date, 79% (2008: Nil) of the total trade receivables was due from the Group's largest customer.

(iv) Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs are identified monthly.

The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31 December 2009 and 31 December 2008, the remaining contractual maturities of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows are summarised below:

Group

	Total carrying amount HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 year HK\$'000
At 31 December 2009				
Trade payables	6,158	6,158	6,158	–
Accruals and other payables	1,330	1,330	1,330	–
Convertible bonds	2,543	3,400	–	3,400
	10,031	10,888	7,488	3,400
At 31 December 2008				
Trade payables	38	38	38	–
Accruals and other payables	613	613	613	–
Convertible bonds	2,282	3,400	–	3,400
	2,933	4,051	651	3,400

Notes to the Financial Statements

for the year ended 31 December 2009

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iv) Liquidity risk (Continued)

Company

	Total carrying amount HK\$'000	Total undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 5 year HK\$'000
At 31 December 2009				
Accruals and other payables	585	585	585	–
Amount due to a subsidiary	344	344	344	–
Convertible bonds	2,543	3,400	–	3,400
	3,472	4,329	929	3,400
At 31 December 2008				
Accruals and other payables	164	164	164	–
Amount due to a subsidiary	384	384	384	–
Convertible bonds	2,282	3,400	–	3,400
	2,830	3,948	548	3,400

(v) Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at 31 December 2009 and 2008 may be categorised as follows. See notes 2.9 and 2.17 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and cash equivalents	8,097	17,495	3,932	591
Loans and receivables:				
Trade receivables	7,099	–	–	–
Other receivables	265	569	–	–
	15,461	18,064	3,932	591

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for the year ended 31 December 2009

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Summary of financial assets and liabilities by category (Continued)

(ii) Financial liabilities

Financial liabilities at amortised cost:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current liabilities:				
Trade payables	6,158	38	–	–
Accruals and other payables	1,330	613	585	164
Amount due to a subsidiary	–	–	344	384
Non-current liabilities:				
Convertible bonds	2,543	2,282	2,543	2,282
	10,031	2,933	3,472	2,830

29. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern;
- (ii) to provide an adequate return to the equity holders of the Company;
- (iii) to support the Group's sustainable growth; and
- (iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders of the Company; return capital to equity holders of the Company; issue new shares; or sell assets to reduce debt.

Management regards total equity and convertible bonds presented below as capital, for capital management purpose.

	2009 HK\$'000	2008 HK\$'000
Convertible bonds	2,543	2,282
Total equity	5,978	15,275
	8,521	17,557