2009
Annual Report

PublicHealthcare
中國公共醫療

CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED

(formerly known as GLOBAL RESOURCES DEVELOPMENT (HOLDING) LIMITED
大地資源發展(控股)有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8116)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

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This report, for which the directors of China Public Healthcare (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, 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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CORPORATE PROFILE

DIRECTORS

Executive Directors

Mr. Stephen William Frostick *(Chairman)*
Mr. Lu Chunming *(Chief Executive Officer)*
Mr. Shao Heng

Independent Non-executive Directors

Mr. Lee Chi Hwa, Joshua
Mr. Tso Hon Sai, Bosco
Mr. Chang Jun

AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Ang Wing Fung *CPA (Aust), CPA, ACS, ACIS*

AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Tso Hon Sai, Bosco
Mr. Chang Jun

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Tso Hon Sai, Bosco
Mr. Lee Chi Hwa, Joshua

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Tso Hon Sai, Bosco

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Mr. Ang Wing Fung *CPA (Aust), CPA, ACS, ACIS*

AUDITORS

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Certified Public Accountants
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Arion Commercial Centre
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Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Co., Ltd – Hong Kong Branch

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On Hong Kong Law:

Tang Tso & Lau Solicitors

On Cayman Islands Law:

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SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

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(Cayman) Limited
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Cayman Islands

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Stock Code

8116

Website of the Company

www.chpublic-healthcare.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report the Group's results for year ended 31 December 2009.

In 8 January 2009, the Group completed the acquisition of mining business in Lichuan County, Jiangxi Province, PRC with a mining area of approximately 0.5175km^2. The mineral reserves of the mine consist of Zinc, Lead, Copper, Tungsten and Silver. However, this year, the mining industry was faced with negative impact of non-recovered transactions prices, due to the financial crisis in late 2008. As a result, the Group recorded substantial impairment loss in this year. The directors are of the view that the long term prospect of mineral resource prices remain bullish due to continued demand from PRC. Thus, the outlook for the mining industry in the PRC remains promising.

In early 2009, the PRC government announced an aggressive plan to spend RMB850 billion by 2011. Known as the Medical Reform Plan, it provides Healthcare Information Technology (HIT) services to all levels of PRC hospitals and medical institutions. In a significant change of strategic direction, the group entered the HIT industry by acquiring 2 HIT subsidiaries. On October 23, 2009, the Group acquired China Chief Medical Standards Database Co., LTD ("CCMSD") and Beijing Upway Science & Technology Development Co., LTD. ("Upway") respectively. The acquisition of CCMSD is strengthened by its relationship with the Hospital Management Institute of the Ministry of Health of China ("HMI") under the auspices of the Ministry of Health in the PRC. As a 30% minority interest shareholders in CCMSD, the HMI provides a wide range of support to the HIT Business Development, in the PRC hospital sector.

The main products of the two subsidiaries are expected to capture the PRC market of RMB850 billion, and help the Ministry of Health of the PRC improve penetration of health care resources, reduce high public medical costs and control medical quality of medical institutions. As of the end of 2009, the two subsidiaries have signed a framework agreement with the Health Department of a number of cities in order to tap into regional medical information services. The agreement has a value of more than RMB400 million.

Our Group faced many challenges and opportunities this past year. We believe that our recent strategic acquisitions have positioned us well to take advantage of opportunities that will be present in the future.

On behalf of the Board of Directors, I would like to express my appreciation to the Group's efforts in 2009. I look forward to working with our team of professionals, business partners, clients and our shareholders as we continue to grow our business in 2010.

Stephen William Frostick
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Mining Business

The Group acquired mining business in Jiangxi at the consideration of HK$550 million was completed on 8 January 2009, which was satisfied as to HK$85 million by cash and as to HK$465 million by the issue of the Convertible Bonds by the Company to the Vendors. The mine is located in Lichuan county, Jiangxi Province, PRC with a mining area of approximately 0.5175 km^2. The mineral reserves of the mine consist of Zinc, Lead, Copper, Tungsten and Silver.

The HK$465 million zero coupon convertible bonds due 2014 was duly issued to the Vendors (Wide Treasure Investments Ltd., Absolate Power International Ltd, Splendial Trade Ltd) on 8 January 2009. Pursuant the agreement, the conversion price of the Convertible Bonds was HK$0.04. Holders of the HK$465 million Convertible Bonds is entitled to convert into 11,625 million shares of the Company.

As at 31 December 2009, the converted bonds of HK$241 million issued were converted into 6,036 million shares and the outstanding of the Convertible Bonds of HK$223 million might be converted into ordinary share 5,589 million shares.

Taking into consideration of market value of the Mine as advised by BMI Appraisals Limited, an independent valuation firm, based on market approach method through comparing transactions of mines that had similar mineral resources with similar level of confidence in the resource estimation which was HK$236 million (or RMB208 million) as at 31 December 2009. Therefore, the mining right carrying value has been written down to such amount and incurred an impairment loss of HK$314 million.

The Directors are of the view that the long term prospect of mineral resources prices remain bullish due to the continued demand from developing countries such as the PRC, India and Russia. Thus the outlook for the mining industry in the PRC is promising. The Acquisition represents a good opportunity for the Group to tap into the mining industry and also allow it to enhance performance to the group.

The mining business has not started contributing revenues during the year. It is still subject to revision of production plan.

The other investment in production and sales ferro-silicon and ferro alloys business was finalized on 17 February 2009, the Group entered into subscription agreement to invest 10% of enlarged issued shares capital of Norwell Limited, which is holding PRC subsidiaries engaging in the production and sales of ferro-silicon and ferro alloys.

Automobile stamping and welding

For the year ended 31 December 2009, the JV Company has sold 734 thousands (2008: 437 thousands) ancillary stamping and welding parts for automobiles, and recorded sales of approximately HK$920 million (2008: HK$557 million). The Group has accounted for the sales on proportion and recorded turnover of HK$450 million for the year in 2009. Its major customers include ChangAn Auto Co Ltd, ChangAn Ford Mazda, and ChangAn Ford Nanjing Corp etc.

On 26 February 2010, the Group announced its wholly owned subsidiary, Hong Kong Chang Kang (Holdings) Limited, entered into an agreement with Chongqing Changan Jinling Automobile Parts Co., Ltd. pursuant to which the subsidiary has conditionally agreed to sell all of its equity interest, which accounts for 49% in the JV Company at the consideration of RMB47 million in cash that will be used as general working capital, allowing the Group to focus its resources on its HIT related business which the Group considers should provide better return to the Group.

As at year ended 31 December 2009, the JV company's assets and liabilities were classified as Held for Sale on the consolidated statement of financial position and its operation results were classified as discontinued operations in the consolidated statement of comprehensive income for the year ended 2009. Please refer the notes 10 and 11 to the financial statement for more details.

As at the balance sheet date, the assets and liabilities classified as held for sale were amounted to HK$276 million and HK$223 million. The discontinued operations profit after tax for the year ended 2009 was HK$3 million.

Radio Trunking System Integration

For the year ended 31 December 2009, the radio trunking business recorded turnover of approximately HK$13.7 million. That was a decrease by HK$0.5 million as compared to the turnover in 2008. The decrease in turnover of the business was mainly due to the delay of completion orders from customers, as there is still yet to finalise the terms of software services and the business with customers in coming year.

The Group has actively promoted its own digital trunking communication system based on the software technology FDMA system. This deepened the understanding of new, existing and potential users towards the features of this technical product, as well as prepared for future market development.

Acquisition of healthcare information technology in the PRC

On 23 October 2009, the Company completed the acquisition of all the equity interest of Wealthy China Group Limited ("Wealthy China") which holds a 100% interest in Beijing Upway Science & Technology Development Co. Ltd ("Upway") and 60% interest in China Chief Medical Standards Database Co. Ltd. ("CCMSD"). The total investment by the Company was approximately HK$498 million which provides entry into China's hospital information technology market. The total acquisition was transacted by the issuance of convertible bonds with the initial conversion price of HK$0.168 per share.

The Hospital Management Institute of the Ministry of Health of China and the China National Institute of Standardization were partners in development of the product. It would accelerate its positioning in Healthcare Information Technology ("HIT") by penetrating its products and service through its subsidiaries Upway and CCMSD. The followings are their principal products:

(1) Electronic Health Records EMR System
(2) Regional Public Health Medical System
(3) Hospital Pre-evaluation Service

The above mentioned products are the core of the EMR system which aims at digitizing patients' medical records, matching historical symptoms to suggested diagnosis and prescriptions, whereas the hospital pre-evaluation service is able to aggregate all medical data into standardized and categorized medical analytics for evaluation of cost-benefit efficiency. These products target at better identification and medication of various diseases, more accurate matching of diagnoses and prescriptions, more optimal use and production of medicines, more economical allocation of hospital resources, and more effective public hygiene management. The business coverage includes Beijing, Hebei Province, Liaoning Province, Jilin Province, Shanxi Province, Inner Mongolia, Gansu Province, Xinjiang Province, Tibet, Hainan Province and Jiangsu Province.

Development of the Group

In 2009, The Group continues to stick with its operation strategy to integrate its resources and make adjustment to its business, the non-performing business will be gradually split out through disposal or other methods, so as to optimize the Group's asset and allocate the limited resources to explore business with brighter prospect, thus pursuit the rapid development and healthy growth of the Group's business.

FINANCIAL REVIEW

In year 2009, the consolidated turnover of the Group was HK$15.3 million, representing an increase of 9% as compared with the last year. The loss attributable to shareholders for the year ended 31 December 2009 amounted to HK$354 million. The radio trunking business turnover was a decrease by HK$0.5 million as compared to the turnover in 2008. The decrease in turnover of the business was mainly due to the delay of completion orders from customers, as there is still yet to finalise the terms of software services and the business with customers in coming year.

The turnover of the Group of HK$15.3 million consisted of HIT business of HK$1.7 million and radio trunking business of HK$13.6 million. The HIT business is our new business and its turnover contributes to the group since November 2009. Therefore, there was slightly turnover recorded during the year.

Cost of sales for the year recorded HK$12.8 million that consisted of HK$0.7 million and HK$12.1 million from HIT business and radio trunking business respectively. The decrease in the cost of sales of HK$1.7 million from radio trunking business is due to the effective cost control. It is the first year recorded the cost of sales from HIT business thus no comparative figures in 2008.

Other income represented written off of trade creditors of HK$2.9 million, refund of value added tax of HK$68 thousand, interest income of HK$56 thousand and other operating income of HK$1 million.

Distribution expenses recorded an increase by HK$1 million to HK$4.9 million as compared to last year due to the increase in promotion expenses of radio trunking business and newly included the distribution cost of HIT business since November 2009.

Administrative expenses reported an increase by HK$6.2 million to HK$39.1 million as compared to last financial year. The increase mainly attributed to the increase in number of staff of radio trunking system in late of 2009 and newly included the administrative expenses of HIT business since November of 2009.

Finance costs reported an increase by HK$11 million to HK$12.2 million, in which of HK$12 million was convertible bonds imputed interest. Loan interest from a finance company and bank loan interest recorded HK$0.2 million during the year. All the borrowings from a finance company and bank loans as at 31 December 2008 were settled in early repayment in the first half of the year.

During the year, reported a significant impairment loss from mining rights of HK$314 million. Taking into consideration of market value of the Mine as advised by BMI Appraisals Limited, an independent valuation firm, based on market approach method through comparing transactions of mines that had similar mineral resources with similar level of confidence in the resource estimation which was HK$236 million (or RMB208 million) as at 31 December 2009. The mine is situated in Jiangxi of PRC. That leads the group recorded a substantial loss in the year 2009.

On 26 February 2010, the Group entered into the agreement to dispose the 49% equity interest in JV Company at consideration of RMB47 million in cash. As a result, the JV Company's result was re-classified to discontinued operations in 2009 and there is HK$3 million profits for the year (loss for the year 2008: HK$9.5 million)

As a result, the loss attributable to owner of the Company for the year ended 31 December 2009 was decreased by HK$293 million to HK$354 million.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flow and banking facilities, the Group has established a long term relationship with financial institutions in the People's Republic of China ("PRC"). The banking facilities arranged by the Group reflected our strategy to fund the Group's operations in local trading currency. All borrowings were settled during the year and no borrowings at balance sheet date. Bank borrowing remains at low level as compared to previous years. As at 8 January and 23 October 2009 the Company has issued a HK$465 million and HK$498 million in respective with 5 year zero coupon convertible bonds. The finance costs of the Group for the year were approximately HK$12.2 million, in which of HK$12 million is convertible bonds imputed interest.

As at 31 December 2009, the Group's gearing ratio is zero (2008: 0.18), calculated on the basis of the Group's borrowings over shareholders' funds. Total bank and cash balances were approximately HK$121 million (2008: HK$52 million). Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Charge on group assets

As at 31 December 2009, no group assets were charged or pledged to secure any loans or borrowings.

Foreign exchange exposure

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

Contingent liabilities

As at 31 December 2009, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 31 December 2009, the Group employed a workforce with head count of approximately 234, which is not included the JV Company workforce of 1,254, the majority of whom were employed in the PRC. Staff costs, excluding Directors' emoluments, amounted to approximately HK$13.9 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

Acquisitions of subsidiaries and affiliated companies

Acquisition of mining business

On 5 September 2008, the Group entered into final agreement to acquire a mining business in Jiangxi at the Consideration of HK$550 million which is satisfied by HK$85 million by cash and HK$465 million by the issue of the Convertible Bonds ("CB I") by the Company to the Vendors. The transaction was completed and the CB I was issued to the Vendors on 8 January 2009.

The CB I due to 2014 with conversion price of HK$0.04 per share. For the year ended 31 December 2009, the 52% of CB I were converted into ordinary shares with aggregate principal amount of HK$241 million at an conversion price of HK$0.04 per conversion share.

Acquisition of Healthcare Information Technology business

On 24 July 2009, the Group entered into an agreement to acquire healthcare information technology group, with a consideration of HK$498 million satisfied by the issue of the convertible bonds ("CB II") by the Company to the Vendors, the Group will further expand its business lines by diversifying into the HIT industry in the PRC.

For the year ended 31 December 2009, the CB II were all converted into 2,964,285,714 ordinary shares at an conversion price of HK$0.168 per conversion share.

Save as disclosed herein, the Group had no acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2009.

Capital structure

During the year, the Group issued HK$465 million ("CB I") and HK$498 million ("CB II") zero coupon convertible bonds both due 2014 with conversion price of HK$0.04 and HK$0.168 per Shares respectively.

CB I

The Convertible Bonds do not bear any interest. The maturity dates are on the fifth anniversary of the date of issue of the Convertible Bonds.

On 8 January 2009, the Company issued convertible bonds with an aggregate principal amount of HK$465 million due to 2014 with conversion price of HK$0.04 per share.

For the year ended 31 December 2009, the 52% of CB I were converted into ordinary shares with aggregate principal amounts of HK$241 million at an conversion price of HK$0.04 per conversion share.

CB II

On 23 October 2009, the Company issued convertible bonds with an aggregate principal amount of HK$498 million due to 2014 with conversion price of HK$0.168 per share.

For the year ended 31 December 2009, the CB II were all converted into 2,964,285,714 ordinary shares at an conversion price of HK$0.168 per conversion share.

Placing of new shares

The Placing and the Subscription were completed on 29 December 2009 and 30 December 2009 respectively, pursuant to which the Company has allotted and issued 570 million Subscription Shares to the Vendor at HK$0.183 per Subscription Share.

Future plans for material investments or capital assets

Development and expansion of I.T business, the Group considered RMB57 million for future capital expenditure in coming year.

Save as disclosed herein, the Group did not have any details of future plan for material investments or capital assets as at 31 December 2009.

Significant Investment

Save as disclosed above, the Group did not have any details of future plan for material investment or capital assets as at 31 December 2009.

INTRODUCTION

The Code on Corporate Governance Practices (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005. It sets out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2009.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and Chief Executive and the management.

The Board comprises a total of 6 Directors, with 3 Executive Directors, namely, Mr. Stephen William Frostick *(Chairman),* Mr. Lu Chunming *(Chief Executive Officer)*, Mr. Shao Heng, and 3 Independent Non-executive Directors, namely, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for operation of the Group. The Board comprises 6 directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2009, the Board held 17 meetings. The attendance record of each member of the Board is set out below:

Executive Directors		**Attendance**
Mr. Stephen William Frostick *(Chairman)*		17/17
Mr. Lu Chunming *(Chief Executive Officer)*	(appointed on 2 February 2009)	16/17
Mr. Shao Heng	(appointed on 22 December 2009)	0/17
Mr. Cai Zuping *(Chairman)*	(resigned on 2 February 2009)	0/17
Independent Non-executive Directors		
Mr. Chang Jun		16/17
Mr. Tso Hon Sai, Bosco		16/17
Mr. Lee Chi Hwa, Joshua		16/17

NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company.

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by the director. The remuneration packages for Non-executive directors are determined by the board of directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

REMUNERATION OF DIRECTORS

As mentioned above, a remuneration committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. Mr. Lee Chi Hwa, Joshua is the Chairman of the remuneration committee.

Meeting has been held in 2010 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held a meeting on 26 March 2010 to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2009.

NOMINATION OF DIRECTORS

As mentioned above, a Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

The Nomination Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun *(Chairman)*, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua . The Nomination Committee held meeting on 26 March 2010 to review the structure, size and composition of the Company's Board of Directors. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2010.

AUDITORS' REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM & Co., to the Company in the year 2009 amounted to HK$630 thousand. Non-audit services provided by HLM & Co. amounted to HK$770 thousand.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of all three Independent Non-executive Directors of the Company, namely, Mr. Lee Chi Hwa, Joshua *(Chairman)*, Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2009, the Audit Committee held 4 meetings. The attendance record of each member of the Committee is set out below:

	Attendance
Mr. Chang Jun	4/4
Mr. Tso Hon Sai, Bosco	4/4
Mr. Lee Chi Hwa, Joshua	4/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in CG Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors in 2010.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The Auditors are responsible for forming an independent opinion, based on the audit, on the financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Stephen William Frostick, aged 60, is the chairman of the Company. Mr. Frostick obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Currently the president and chief executive officer of the Compeer Group (Macau) and Grey Eagle Group (Hong Kong), Mr. Frostick has over 35 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organizations. During his past employment with Kepner Tregoe Inc., Mr. Frostick was involved in the design, development and led the implementation of Team Concept in Chrysler Motors Inc. Mr. Frostick also participated in the negotiations with respect to the labour agreements between the United Auto Workers Union and Chrysler Motors Inc. Leverage on Mr. Frostick's automobile business experience, the Group will be in a better position to solicit the aforesaid automobile related investments opportunities and/or projects.

Mr. Frostick is well experienced in strategic planning, operational management and organisation development and has about 35 years of senior management experience. He joined the Group in 2007. He is currently the executive director of China Chief Cable TV Group Limited, which is listed on the Stock Exchange of Hong Kong Limited.

Mr. Lu Chunming, aged 52, is the chief executive officer of the Company. Mr. Lu is also the general manager of Beijing Cheong Lee Gocom Information Technology Company Limited and is responsible for the management of business of the Group. Mr. Lu graduated from Beijing Teacher's University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu worked for the Post and Telecommunication Science Research Institute and Authorities Service Bureau of the former MPT. Mr. Lu has more than 20 years of experience in the communications industry.

Mr. Shao Heng, aged 36, was graduated from the College of Urban and Environmental Sciences in Beijing University in 1997 and obtained a Bachelor Degree of Tourism Development and Administration. In 2007, he obtained an EMBA in modern hospital management from Beijing University. Mr. Shao Heng once worked as general manager in Great Wall Software Shanghai Branch of China Great Wall Computer Group Corporation, responsible for the national Golden Tax Project. Later, he worked as deputy general manager of 首創國際酒店管理公司, responsible for the hotel management projects of various star hotels. He then became the president of Beijing Aikang Hospital and was responsible for the daily operation and management of this general hospital. Since 2008, Mr. Shao Heng became the managing director of China Chief Medical Standards Database Co., Ltd., responsible for its daily operation and jointly developed the public medical projects with the relevant authorities of the Ministry of Health. He joined the Group in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 37, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. He joined the Group in 2007. He is currently the independent non-executive director of China Chief Cable TV Group Limited, which is listed on the Stock Exchange of Hong Kong Limited.

Mr. Tso Hon Sai Bosco, aged 45, is currently a consultant with Messrs. Tso Au Yim & Yeung, Solicitors and he has been a Hong Kong practising solicitor since 1990. Mr. Tso received his bachelor of laws degree from King's College, London. He joined the Group in 2007. He is currently the independent non-executive director of Rising Development Holdings Limited and Goldin Financial Holdings Limited. Both companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Chang Jun, aged 41, is currently a partner of Messrs, Allbright Law Office-Shenzhen and he has been a Chartered lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his bachelor of laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 15 years experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

SENIOR MANAGEMENT

Mr. Lv Bin's, aged 44, is the chief operating officer of the Company. He is the founder and chief executive officer of Beijing Upway Science & Technology Development Co. Ltd（北京安博維科技發展有限公司）. He has over 20 years of management experience in I.T industry and expertise in healthcare information technology. He joined the group in 2009.

Mr. ANG Wing Fung, aged 37, is the Company secretary and chief financial officer of the Company, holds a Bachelor degree in Accounting and Finance from The University of New South Wales, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, a qualified member in CPA Australia and an association member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 10 years experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong. He is currently the executive director of Inno-Tech Holdings Limited which is listed on the Stock Exchange of Hong Kong Limited.

REPORT OF DIRECTORS

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Group is principally engaged in hospital data evaluation analytics, hospital information technology system for medical data acquisition, processing and application system, mining of mineral resources and accessories in PRC, radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of the affairs of the Group at that date are set out in the financial statements on pages 25 to 98.

The Directors do not recommend the payment of a dividend for the year.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2009 are set out in note 21 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 18 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in statement of changes in equity on page 29 and page 90 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company has no reserves available for distribution to shareholders (2008: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

BORROWINGS

Particulars of the borrowings of the Group as at 31 December 2009 are set out in note 32 to the financial statements.

DONATION

The Group did not make any charitable donation during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with reasons therefore, are set out in notes 34 and 36 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 99.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	20%
– five largest suppliers combined	76%

Sales

– the largest customer	46%
– five largest customers combined	81%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

DIRECTORS

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

Mr. Stephen William Frostick *(Chairman)*	
Mr. Lu Chunming	(appointed on 2 February 2009)
Mr. Shao Heng	(appointed on 22 December 2009)
Mr. Lee Chi Hwa, Joshua*	
Mr. Tso Hon Sai, Bosco*	
Mr. Chang Jun*	
Mr. Cai Zuping *(Chairman)*	(resigned on 2 February 2009)

* *Independent Non-executive Director*

One third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of HK$0.01 each of the Company

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Lu Chunming *(Note 1)*	Beneficial	830,000	0.01%

Notes:

1. Mr. Lu Chunming, an Executive Director of the Company has interest in the Company directly.

Save as disclosed above, as at 31 December 2009, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2009, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 45 to the financial statements, no contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees details of the scheme is set out in note 15 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted a new share option scheme on 30 July 2007 ("the Scheme"), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

Pursuant to the Scheme, as at 31 December 2009, the employees and consultants were granted share options to subscribe for shares of the Company, details of which were as follows:

Name of Category of participant	As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2009	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Total	87,659,900	–	–	–	–	87,659,900			

None of the employees and consultants of the Company had exercised their share options during the period ended 31 December 2009.

The total number of Shares available for issue under the Scheme as at the date thereof was 87,659,900 representing approximately 0.82% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2009, the following persons (other than the director and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares *(Note 5)*	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Absolute Power International Limited ("Absolute Power") *(Note 1)*	Beneficial	533,000,000	2,727,000,000	3,260,000,000	30.36%
Wide Treasure Investment Limited ("Wide Treasure") *(Note 2)*	Beneficial	716,000,000	2,862,000,000	3,578,000,000	33.32%
Way Capital Investments Limited ("Way Capital") *(Note 3)*	Beneficial	1,482,142,857	–	1,482,142,857	13.80%
Glorywide Group Limited ("Glorywide Group") *(Note 4)*	Beneficial	1,482,142,857	–	1,482,142,857	13.80%

Notes:

1. Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.
2. Wide Treasure is wholly owned by She Zhangshu who is deemed to be interested in the shares.
3. Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.
4. Glorywide is wholly owned by Zhang Jie who is deemed to be interested in the shares.
5. The underlying shares of Absolute Power and Wide Treasure are in respect of the convertible bonds issued by the Company on 9 January 2009. The convertible bonds issued by the Company to Way Capital and Glorywide Group on 23 October 2009 were converted to 1,482,142,857 shares and 1,482,142,857 shares respectively on 4 December 2009.

Save as disclosed above, as at 31 December 2009, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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 member of the Group.

MANAGEMENT CONTRACTS

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

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 43 to the financial statements.

CONNECTED TRANSACTIONS

During the year ended 31 December 2009, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 45 to the financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2009, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

PRE-EMPTIVE RIGHTS

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

AUDITORS

A resolution to reappoint Messrs. HLM & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Stephen William Frostick
Chairman

Hong Kong, 29 March 2010

INDEPENDENT AUDITORS' REPORT

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

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TO THE SHAREHOLDERS OF CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED
FORMERLY KNOWN AS "NEOLINK CYBER TECHNOLOGY (HOLDING) LIMITED"
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Public Healthcare (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 98, which comprise the consolidated statement 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 cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements
The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company 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.

HLM & Co.
Certified Public Accountants

Hong Kong, 29 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Continuing operations			
Turnover	6	**15,345**	14,020
Cost of sales and services		**(12,890)**	(6,510)
Gross profit		**2,455**	7,510
Other revenue	6	**4,094**	7,971
Distribution expenses		**(4,986)**	(3,946)
Administrative expenses		**(39,086)**	(32,850)
Impairment loss of mining rights		**(314,511)**	–
Realised gain (loss) on disposal of financial assets held for trading		**1,552**	(1,484)
Unrealised gain (loss) on financial assets held for trading		**5,114**	(29,635)
Loss from operations		**(345,368)**	(52,434)
Gain on disposal of subsidiaries		**–**	1,402
Finance costs	8	**(12,285)**	(943)
Loss before tax		**(357,653)**	(51,975)
Income tax (expenses) credit	9	**(143)**	520
Loss for the year from continuing operations	12	**(357,796)**	(51,455)
Discontinued operations			
Profit (loss) for the year from discontinued operations	10	**3,073**	(9,497)
Loss for the year		**(354,723)**	(60,952)
Other comprehensive (expenses) income			
Exchange difference on translation of:			
– financial statements of foreign operations		**(3,364)**	772
Other comprehensive (expenses) income for the year, net of tax		**(3,364)**	772
Total comprehensive expenses for the year		**(358,087)**	(60,180)
Loss attributable to:			
Owner of the Company		**(354,285)**	(60,948)
Non-controlling interests		**(438)**	(4)
		(354,723)	(60,952)
Total comprehensive expenses attributable to:			
Owner of the Company		**(357,649)**	(60,176)
Non-controlling interests		**(438)**	(4)
		(358,087)	(60,180)
Loss per share	16		
From continuing and discontinued operations			
Basic *(HK cents per share)*		**(6.99)**	(5.22)
Diluted *(HK cents per share)*		**N/A**	N/A
From continuing operations			
Basic *(HK cents per share)*		**(7.05)**	(4.40)
Diluted *(HK cents per share)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	18	**4,495**	52,625
Lease premium for land	19	**–**	–
Mining rights	20	**236,364**	–
Goodwill	22	**487,695**	–
Available for sale investments	24	**20,000**	–
Deposits paid for investment projects		**–**	80,000
		748,554	132,625
Current assets			
Inventories	25	**3,330**	84,420
Lease premium for land	19	**–**	–
Trade receivables	26	**11,737**	46,045
Bills receivables		**–**	3,931
Other receivables, deposits and prepayments		**28,130**	49,922
Amounts due from related companies	30	**–**	25
Financial assets held for trading	27	**14,657**	14,118
Tax recoverable		**3**	2,437
Cash and bank balances	28	**121,739**	52,753
		179,596	253,651
Assets classified as held for sale	11	**276,531**	–
		456,127	253,651
Current liabilities			
Trade payables	29	**313**	64,651
Bills payable		**–**	9,117
Accruals and other payables		**34,384**	21,732
Deposit received		**–**	2,566
Amounts due to related companies	31	**13,708**	44,349
Tax payable		**143**	–
Borrowings	32	**–**	36,636
		48,548	179,051
Liabilities directly associated with assets classified as held for sale	11	**223,737**	–
		272,285	179,051
Net current assets		**183,842**	74,600
Net assets		**932,396**	207,225

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Capital and reserves			
Share capital	34	**107,384**	11,682
Reserves		**615,544**	194,481
Equity attributable to owners of the Company		**722,928**	206,163
Non-controlling interests		**4,509**	–
Total equity		**727,437**	206,163
Non-current liabilities			
Borrowings	32	**–**	1,062
Convertible bonds	33	**204,959**	–
		204,959	1,062
		932,396	207,225

The financial statements on pages 25 to 98 were approved and authorised for issue by the board of directors on 29 March 2010 and are signed on its behalf by:

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	**59**	59
Investment in subsidiaries	21	**1,110,177**	57,538
Deposit paid for investment projects		**–**	80,000
		1,110,236	137,597
Current assets			
Other receivables, deposits and prepayments		**1,827**	6,117
Amounts due from a related company	30	**–**	25
Cash and bank balances		**101,190**	11,016
		103,017	17,158
Current liabilities			
Amounts due to a related company	31	**–**	20
Accruals and other payables		**994**	480
		994	500
Net current assets		**102,023**	16,658
Net assets		**1,212,259**	154,255
Capital and reserve			
Share capital	34	**107,384**	11,682
Reserves	35	**899,916**	142,573
Total equity		**1,007,300**	154,255
Non-current liabilities			
Convertible bonds	33	**204,959**	–
		1,212,259	154,255

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

								Other comprehensive income				
	Share capital	Share premium	Merger difference *(Note(ii))*	General reserve *(Note (i))*	Enterprise expansion fund *(Note (i))*	Share-based compensation reserve	Convertible bonds equity reserve	Revaluation reserve	Exchange reserves	Accumulated losses	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	116,816	212,802	(46,815)	6,846	50	33,424	–	1,846	6,822	(60,329)	(451)	271,011
Exercise of share option *(Note (iii))*	–	–	–	–	–	–	–	–	–	–	–	–
Written back for share-based payments	–	–	–	–	–	(3,342)	–	–	–	–	–	(3,342)
Elimination on disposal of subsidiaries	–	–	–	(4,994)	(50)	–	–	(1,846)	(1,781)	6,890	455	(1,326)
Reduction of capital to set off accumulated losses	(105,134)	–	–	–	–	–	–	–	–	105,134	–	–
Total comprehensive expenses attributable to shareholders	–	–	–	–	–	–	–	–	772	(60,948)	(4)	(60,180)
At 31 December 2008	11,682	212,802	(46,815)	1,852	–	30,082	–	–	5,813	(9,253)	–	206,163
At 1 January 2009	11,682	212,802	(46,815)	1,852	–	30,082	–	–	5,813	(9,253)	–	206,163
Additional non-controlling interest arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	4,947	4,947
Recognition of equity component of convertible bonds	–	–	–	–	–	–	524,769	–	–	–	–	524,769
Exercise of convertible bonds	90,002	654,670	–	–	–	–	(499,337)	–	–	–	–	245,335
Issue of ordinary share under placement of shares	5,700	98,610	–	–	–	–	–	–	–	–	–	104,310
Total comprehensive expenses attributable to shareholders	–	–	–	–	–	–	–	–	(3,364)	(354,285)	(438)	(358,087)
At 31 December 2009	**107,384**	**966,082**	**(46,815)**	**1,852**	**-**	**30,082**	**25,432**	**-**	**2,449**	**(363,538)**	**4,509**	**727,437**

(i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganization.

(iii) An amount of HK$10 share option was exercised.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
Loss for the year		**(354,723)**	(60,952)
Adjustment for:			
Income tax expenses (credit)		**1,672**	(520)
Interest income		**(56)**	(1,329)
Dividend income		**(103)**	–
Interest expenses		**222**	3,137
Imputed interest on convertible bonds	8	**12,063**	–
Impairment loss of mining rights	20	**314,511**	–
Depreciation		**16,119**	9,510
Amortisation of lease premium for land		**–**	16
Loss (gain) on disposal of property, plant and equipment		**62**	(10)
(Gain) loss on disposal of financial assets held for trading		**(1,552)**	1,485
Unrealised (gain) loss on financial assets held for trading		**(5,114)**	29,635
Gain on disposal of subsidiaries		**–**	(1,402)
Impairment for inventories		**3,100**	6,858
Waive for share-based payments		**–**	(3,342)
Exchange gain		**(6)**	–
Operating cash flow before movements in working capital		**(13,805)**	(16,914)
Increase in inventories		**(14,972)**	(31,547)
Decrease (Increase) in trade receivables, prepayment, deposits and other receivables		**77,371**	(56,572)
Decrease in amounts due from related companies		**25**	22,970
Decrease in amounts due from an ultimate holding company		**–**	50
Increase in trade payables, bills payables, accruals and other payables and deposits received		**95,569**	54,295
Increase in amounts due to related companies		**21,709**	23,989
Cash generated from (used in) operations		**165,897**	(3,729)
Interest paid		**(222)**	(3,137)
PRC tax refund (paid)		**2,208**	(3,001)
Net cash generated from (used in) operating activities		**167,883**	(9,867)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Investing activities			
Dividend income		**103**	–
Purchase of property, plant and equipment		**(17,000)**	(41,056)
Purchase of financial assets held for trading		**(23,033)**	(72,757)
Net cash outflow on acquisition of subsidiaries	41	**(77,124)**	–
Cash flow on disposal of subsidiaries	42	**–**	9,049
Deposits paid for acquisition of plant and machinery		**–**	(10,203)
Purchase of available for sale investments		**(20,000)**	–
Increase in deposits paid for investment projects		**–**	(80,000)
Sales proceeds from disposal of property, plant and equipment		**5,824**	139
Sales proceeds from disposal of financial assets held for trading		**29,160**	47,518
Interest received		**56**	1,329
Net cash used in investing activities		**(102,014)**	(145,981)
Financing activities			
Proceeds from issue of shares		**104,310**	–
New bank loans raised		**–**	42,615
Repayments of bank loans		**(35,899)**	(6,716)
Repayments of secured loan from a finance company		**(1,799)**	(688)
Net cash generated from financing activities		**66,612**	35,211
Net increase (decrease) in cash and cash equivalents		**132,481**	(120,637)
Effect of foreign exchanges rate changes		**(3,358)**	(1,018)
Cash and cash equivalents at beginning of year		**52,753**	174,408
Cash and cash equivalents at end of year		**181,876**	52,753
Analysis of cash and cash equivalents			
Pledged bank deposits		**–**	2,012
Cash and bank balances		**121,739**	50,741
		121,739	52,753
Cash and bank balances included in a disposal group classified as held for sale		**60,137**	–
Cash and cash equivalents at end of year		**181,876**	52,753

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 July 2000. The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and the principal place of business of the Company is Room 1104, 11/F., Mass Mutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 21 to the consolidated financial statements.

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

In the current year, the Group has adopted all of the new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or 1 January 2009. In addition, the Group has early adopted HKFRS 3 (revised in 2008) Business Combinations, HKAS 27 (revised in 2008) Consolidated and Separate Financial Statements in advance of their effective dates.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Financial Instrument: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 20 (Amendments)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 38 (Amendments)	Intangible assets
HKAS 40 (Amendments)	Investment Property
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

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

The impact of the application of the new and revised HKFRSs is discussed below. The impact on basic and diluted loss per share is discussed in note 16.

HKAS 1 (revised in 2007) Presentation of Financial Statements

HKAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a standard on disclosure that resulted in a redesignation of the Group's reportable segments *(see note 7)*.

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

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements and liquidity risk.

HKAS1 (revised in 2007), HKFRS 8 and HKFRS7 (amendments) are affecting the presentation and disclosure only.

HKFRS 3 (revised in 2008) Business Combination

HKFRS 3 (revised) has been adopted in advance of its effective date (business combinations for which the acquisition date is on or after beginning of annual period beginning on or after 1 July 2009). Specifically, HKFRS 3 (2008) has been early adopted to business combinations for which the acquisition date is on or after 1 January 2009 in accordance with the relevant transitional provisions. The adoption of HKFRS 3 (2008) has affected the accounting for business combinations in the current year.

The impact of the adoption of HKFRS 3 (2008) has been:

– to allow a choice on transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of China Chief Medical Standards Database Co., Limited ("CCMSD"), the Group has elected to measure the non-controlling interests at fair value at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;

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

HKFRS 3 (revised in 2008) Business Combination (continued)

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;

- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and

- to require acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, these changes in policies have affected the accounting for the acquisition of CCMSD, as follow:

Consolidated statement of financial position

	31/12/2009 HK$'000
Excess of the fair value of the non-controlling interests in CCMSD over their share of the fair value of the identifiable net assets (reflected in the non-controlling interests)	(275)
Acquisition-related costs expensed when incurred (reflected in profit or loss)	–
Additional goodwill recognised as result of the adoption of HKFRS 3 (2008)	(275)

No effect on the consolidated statement of comprehensive income because there is no acquisition-related costs expensed and adjustment to the cost of acquisition of subsidiaries during the business combinations.

Results in future periods may be affected by future impairment losses relating to the increased goodwill.

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

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

HKAS 27 (2008) has been adopted in advance of its effective date (annual periods beginning on or after 1 July 2009) and has been adopted retrospectively (subject to specified transaction provisions). The revised Standard has resulted in changes in the Group's accounting policies regarding changes in ownership interests in subsidiaries of the Group. The new accounting policies in relation to changes in ownership interests in subsidiaries have been early adopted to changes that take place on or after 1 January 2009 in accordance with the relevant transitional provisions.

In prior years, in the absence of specific requirements in HKFRSs, increase in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in existing subsidiaries regardless of whether the disposals would result in Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposal of was recognised in profit or loss.

Under HKAS 27 (2008), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (2008) requires that the Group derecognise all assets, liabilities and non-controlling interest at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

Apart from above new and revised HKFRSs and HKAS, the director of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions of First-time Adopters[3]
HKFRS 2 (Revised)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] *Effective for annual periods beginning on or after 1 July 2009*
[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1 January 2010*
[4] *Effective for annual periods beginning on or after 1 February 2010*
[5] *Effective for annual periods beginning on or after 1 July 2010*
[6] *Effective for annual periods beginning on or after 1 January 2011*
[7] *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of the HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application for HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

In addition, as part of *Improvement to HKFRSs (2009), HKAS 17 Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application for the other new and revised Standards, Amendments and Interpretations will have no material impact on the financial performance and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions balances, income and expenses between group companies are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (2008) are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS12 Income Taxes and HKAS 19 Employee Benefits respectively;

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

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognised its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business or a jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Non-current assets held for sale

Non-current asses and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less depreciation and accumulated impairment losses.

Leasehold buildings are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of comprehensive income to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold buildings	5%
Leasehold improvements	33% to 50%
Moulds	33%
Plant and machinery	3% to 20%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	10% to 33%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of mining and exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or other fixed assets. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amounts of the exploration and evaluation assets are reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease premium for land

Lease premium for land are up-front payments to acquire long-term interests in lessee-occupied properties. The premium is stated at cost and is amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Impairment losses on tangible and intangible assets (excluding exploration and evaluation assets)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that include a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing a the end of the reporting period, Exchange differences arising are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustment on identifiable assets acquired arising on the acquisition of a foreign operation before 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reporting using historical cost prevailing at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale ("AFS") financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial asset FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities investments as AFS financial assets.

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets *(continued)*

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

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

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

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

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

Financial liabilities and equity

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which interest expense is included in net gains and losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities including trade and other payables, bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Convertible bonds

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

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

At the end of the reporting period, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option classified as equity will remain in the convertible bonds equity reserve until the conversion option is exercised, in which case, the balance stated in the convertible bonds equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date, the balance stated in the convertible loan notes equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. At the end of reporting period, the Group measures the financial guarantee contact at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Derecognition

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

On derecognition of a financial assets, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from sales of automobile stamping and welding parts and related accessories are recognised when automobile stamping and welding parts and related accessories are delivered, used and confirmed by the customers.

Revenue from the sale and maintenance of healthcare system services is recognised when services are provided and determined based on the stage of completion.

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

Refund of value added tax is recognised on receipt of government approval of refund.

Government grant

Government grants are recognised as other income over the periods necessary to match them with the costs for which they are intended to compensate, on a systemic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Taxation (continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share-based payment transactions

Share options granted to employees in equity-settled share-based payment transaction

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and I expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revise its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

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

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life when the asset is available for use.

The amount initially recognised for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated cash flow statement, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(A) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 December 2009 was HK$488 million recognised from business combinations occurring during the year (2008: Nil).

(B) Depreciation and amortisation

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

(C) Impairment on inventories

The management of the Group reviews an aging analysis at each balance sheet date, and identified obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realizable value for such finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out and inventory review on a product-by-product basis at each balance sheet date and provide impairment on obsolete items.

(D) Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group had deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

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

(E) Mining rights, mining structures and exploration and evaluation assets

Mining rights and mining structures are amortised or depreciated using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the mines.

Exploration and evaluation asset are assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. The recoverable amount calculation requires the Group to estimate total proved and probable reserves of ore mines.

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic date. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Reserve estimates are based on current production forecasts, prices and economic conditions. The directors exercise their judgement in estimating the total proved and probable reserves of the ore mines. If the quantities of reserves are different from current estimates, it will result in significant changes to amortisation and depreciation expenses of mining rights and mining structures and affect the recoverable amount of exploration and evaluation assets, which a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade and other receivables, bank balances, and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

A major subsidiary of the Company and a jointly controlled entity have foreign currency income, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets 2009	**Liabilities 2009**	Assets 2008	Liabilities 2008
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Renminbi ("RMB")	**41,185**	**21,769**	196,309	123,887

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. For the foreign currency risk of the Group's financial assets, the exposure is mainly in HKD against RMB.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars, the effect in the loss for the year is as follows:

	Impact of RMB 2009 *HK$'000*	Impact of RMB 2008 *HK$'000*
Increase/decrease in loss for the year	**971**	3,621

Interest rate risk management

The Group is exposed to both cash flow interest rate risk and fair value interest rate risk through the impact of rate changes on interest bearing bank borrowings (see Note 32 for details of these borrowings). Also, the Group's variable interest bearing bank deposits are exposed to interest rate risk which is considered to be minimal.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for of non-derivative instrument at the balance sheet date. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease by HK$1,215,000 (2008: HK$149,396)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit quality of the customers is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the balance sheet date is based on contractual undiscounted payments are summarized below:

	2009			
	On demand	**Within 1 year**	**2-5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables	**313**	**–**	**–**	**313**
Accruals and other payables	**34,384**	**–**	**–**	**34,384**
Amount due to related companies	**13,708**	**–**	**–**	**13,708**
Tax payables	**143**	**–**	**–**	**143**
Borrowings	**–**	**–**	**–**	**–**
Convertible bonds	**–**	**–**	**204,959**	**204,959**
Capital commitment in respect of the acquisition of Mine contracted for but not provided in the consolidated financial statement	**–**	**–**	**–**	**–**
	48,548	**–**	**204,959**	**253,507**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

	2008			
	On demand *HK$'000*	Within 1 year *HK$'000*	2-5 years *HK$'000*	Total *HK$'000*
Trade payables	64,651	–	–	64,651
Bills payables	9,117	–	–	9,117
Accruals and other payables	21,732	–	–	21,732
Deposit received	2,566	–	–	2,566
Amount due to related companies	44,349	–	–	44,349
Tax payables	–	–	–	–
Borrowings	–	36,636	1,062	37,698
Capital commitment in respect of the acquisition of Mine contracted for but not provided in the consolidated financial statement	–	25,000	–	25,000
	142,415	61,636	1,062	205,113

Market price risk management

The Group's investments in equity listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as investment holding and mineral industry sectors. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If listed equity prices had been 15% higher/lower (2008: 15% higher/lower), loss for the year ended 31 December 2009 would increase/decrease by HK$2,198,540 (2008: HK$2,117,633). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair values

As at 31 December 2009, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the balance sheet at amounts approximating to their fair values.

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2009 across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

At 31 December 2009, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

	2009	2008
	HK$'000	*HK$'000*
Assets		
Level 1: Financial assets held for trading – Listed	**14,657**	14,118

At 31 December 2009, financial assets held for trading are carried at fair value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's available for sale investments are carried at cost less accumulated impairments were not materially different from their fair values as at 31 December 2009.

(iii) The fair values of financial assets and financial liabilities are determined as follows:–

– the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

– the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

During 2009, the Group's strategy, which was unchanged from 2008. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total assets.

The management considers the gearing ratio at the year end was as follows:

	2009	2008
	HK$'000	*HK$'000*
Borrowings *(notes 32)*	**–**	37,698
Convertible bonds *(note 33)*	**204,958**	–
Total debts	**204,958**	37,698
Total assets	**1,204,681**	386,276
Total debts to total assets ratio	**0.17**	0.10

The increase in the gearing ratio during 2009 resulted primarily from issuing the convertible bonds to acquire the Super Surplus Trading Limited and Wealthy China Group Limited during the year.

6. TURNOVER AND OTHER REVENUE

The Group is principally engaged in sales of automobile stamping and related accessories and welding parts, sales of healthcare system and provision of system maintenance services, and sales of radio trunking systems integration. Revenue recognised is as follows:

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Sales of automobile stamping and welding parts and related accessories	**–**	–
Sales of radio trunking systems integration	**13,576**	14,020
Sales of healthcare system and provision of system maintenance services	**1,769**	–
	15,345	14,020
Other revenue		
Interest income	**56**	1,139
Dividend income	**103**	–
Government grants	**455**	–
Gain on disposal of properties, plant and equipment	**–**	10
Refund of value added tax	**68**	2,567
Exchange gain	**6**	–
Written back of trade payable	**2,951**	–
Written back for share-based payments	**–**	3,342
Others	**455**	913
	4,094	7,971
Gain on disposal of subsidiaries *(Note 42)*	**–**	1,402
Total revenue	**19,439**	23,393

7. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

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

Sales of automobile stamping and welding parts business operation discontinued in current year were reported as separate business segment under HKAS 14. The segment information reported as the following does not include any amounts for this discontinued operation, which are described in more detail in note 10.

Segment revenues and results

The following is analysis of the Group's revenues and results by reportable segments:

	Segment revenue		**Segment profit/(loss)**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales and maintenance of healthcare system	**1,769**	–	**(1,222)**	–
Mining of mineral resources	**–**	–	**(320,049)**	–
Sales of radio trunking systems integration	**13,576**	14,020	**(16,822)**	(14,089)
Others	**–**	–	**–**	–
Total for continuing operations	**15,345**	14,020	**(338,093)**	(14,089)
Investment and other income			**8,627**	7,971
Gain on disposal of subsidiaries			**–**	1,402
Central administration costs			**(16,049)**	(46,316)
Finance costs			**(12,138)**	(943)
Loss before tax (continuing operation)			**(357,653)**	(51,975)

7. SEGMENT INFORMATION (continued)

Revenue reported above represents generated from external customers. There were no inter-segment sales in year (2008: Nil).

Segments profit/(loss) represents profit earned or loss incurred by each segment without allocation of other income, central administration costs including director's salaries, gain on disposal of subsidiaries, and finance costs. This is measure reported to the chief operation decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	2009	2008
	HK$'000	*HK$'000*
Segment assets		
Sales and maintenance of healthcare system	**34,514**	–
Mining of mineral resources	**235,080**	–
Radio trunking systems integration	**13,329**	24,902
Total segment assets	**282,923**	24,902
Assets relating to automobile stamping and welding parts (now discontinued)	**276,531**	211,787
Unallocated assets	**645,227**	149,587
Consolidated assets	**1,204,681**	386,276
Segment liabilities		
Sales and maintenance of healthcare system	**4,243**	–
Mining of mineral resources	**5,068**	–
Radio trunking systems integration	**18,717**	19,332
Total segment liabilities	**28,028**	19,332
Liabilities relating to automobile stamping and welding parts (now discontinued)	**223,737**	158,180
Unallocated liabilities	**225,479**	2,601
Consolidated liabilities	**477,244**	180,113

7. SEGMENT INFORMATION (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale investments, Financial assets held for trading and goodwill; and

- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

No geographical segment information is presented as secondary segment information as substantially all the Group's turnover and contribution to operating results were carried out in the PRC.

8. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings wholly repayable within five years		
Interest expense on bank loans and other borrowings	**222**	943
Imputed interest on convertible bonds	**12,063**	–
	12,285	943

9. INCOME TAX EXPENSE (CREDIT)

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong profits tax *(Note (i))*		
Overseas tax:		
Current year tax charge *(Note (ii))*	**143**	–
Over-provision in prior years	**–**	(520)
	143	(520)

Note:

(i) Hong Kong Profit Tax is calculated at 16.5% (2008: Nil) of estimated assessable profit for the year.

(ii) Overseas tax represents tax charges on the assessable profits of certain subsidiaries in the PRC calculated at the applicable rates.

9. INCOME TAX EXPENSE (CREDIT) (continued)

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

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Loss before tax	**(357,653)**	(51,975)
Tax at the applicable tax rate of 16.5% (2008:16.5%)	**(59,013)**	(8,576)
Tax effect of expenses not deductible for tax purpose	**65,783**	9,559
Tax effect of income not taxable for tax purpose	**(5,327)**	(1,014)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(3,056)**	(273)
Over provision in respect of prior years	**–**	(520)
Tax effect on temporary differences not recognised	**245**	226
Utilisation of tax losses previously not recognised	**(878)**	–
Tax effect of unused tax losses not recognised	**2,389**	78
Tax charge (credit) for the year	**143**	(520)

(b) No provision for deferred tax liabilities has been made in the financial statements as the tax effect of the temporary difference is immaterial to the Group.

Deferred tax assets are not recognised for tax losses carry forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The Group has unrecognised tax losses of approximately HK$52,955,414 (2008: HK$36,116,337).

10. DISCONTINUED OPERATIONS

Disposal of the automobile stamping and welding parts business

On 5 March 2010, the board of directors announced that the Group is going to dispose the Group's automobile stamping and welding parts business at an aggregated consideration of RMB47 millions. This disposal is consistent with the Group's long-term policy to focus its activities in the sale and maintenance of healthcare system business, the radio trunking systems integration business, and mining of mineral resources in the PRC. The Group has not recognised any impairment losses in respect of the automobile stamping and welding parts business, neither when the operation was reclassified as held for sales nor at the end of the reporting period.

10. DISCONTINUED OPERATIONS (continued)

Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income are set out below. The comparative expenses and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) for the year from discontinued operations		
Turnover	**450,931**	273,051
Cost of sales and services	**(438,913)**	(265,714)
Gross profit	**12,018**	7,337
Other revenue	**18,590**	6,944
Expenses	**(26,006)**	(23,778)
Attributable income tax expenses	**(1,529)**	–
Profit/(loss) for the year from discontinued operations (attributable to the owners of the Company)	**3,073**	(9,497)
Profit/(loss) for the year from discontinued operation include the following:		
Auditor's remuneration	**89**	109
Depreciation of property, plant and equipment	**13,387**	6,651
Impairment loss on inventories	**3,100**	6,858
Cash flows from discontinued operations		
Net cash inflow (outflow) from operating activities	**86,853**	(288)
Net cash outflow from investing activities	**(9,392)**	(34,410)
Net cash (outflow) inflow form financing activities	**(29,172)**	28,523
Net cash inflow (outflow)	**48,289**	(6,175)

The automobile stamping and welding parts business has been classified and accounted for as disposal group held for sale at 31 December 2009 *(see note 11)*.

11. ASSETS CLASSIFIED AS HELD FOR SALE

	2009	2008
	HK$'000	*HK$'000*
Assets related to automobile stamping and welding parts business	**276,531**	–
Liabilities directly associated with assets classified as held for sale	**223,737**	–

	2009
	HK$'000
Property, plant and equipment	**45,039**
Inventories	**93,180**
Trade receivables	**18,649**
Bills receivables	**38,059**
Other receivables, deposit and prepayments	**21,467**
Cash and bank balances	**60,137**
Assets classified as held for sale	**276,531**
Trade payables	**91,593**
Bills payables	**51,294**
Accruals and other payables	**24,740**
Deposit received	**2,458**
Amounts due to a shareholder	**52,350**
Income tax payable	**1,302**
Liabilities directly associated with asset classified as held for sale	**223,737**
Net assets of automobile stamping and welding parts business	**52,794**

12. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2009	2008
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Auditors' remuneration	**630**	480
Depreciation of property, plant and equipment	**2,732**	2,859
Amortisation of lease premium for land	**–**	16
Loss (gain) on disposal of property, plant and equipment	**62**	(10)
Exchange loss	**–**	70
Operating lease payments in respect of rented premises	**1,108**	1,786
Research and development costs	**10,002**	2,588
Staff costs, including staff's share-based payment expense and excluding director's remuneration *(Note 13)*	**13,907**	9,993
Waive for share-based payments	**–**	(3,342)

13. STAFF COSTS EXCLUDING DIRECTORS' REMUNERATION

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Salaries and wages	**13,369**	9,289
Staff welfare benefits	**235**	616
Retirement benefits scheme contributions	**303**	88
	13,907	9,993

14. NET LOSS FOR THE YEAR

The net loss for the year includes a loss of approximately HK$21,369,000 (2008: HK$77,868,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2008: HK$Nil).

16. LOSS PER SHARE

From continuing and discontinued operations

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

	2009	2008
	HK$'000	*HK$'000*
Loss for the year		
Loss for the year attributable to owners of the Company	**(354,285)**	(60,948)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds	**6,834**	–
Loss for the purpose of diluted loss per share	**(347,451)**	(60,948)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**5,066,768,908**	1,168,160,135
Effect of dilutive potential ordinary share:		
Convertible bonds and share options	**5,589,000,000**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**10,655,768,908**	1,168,160,135

16. LOSS PER SHARE (continued)

From continuing operations

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

Profit/(loss) figures are calculated as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(354,285)**	(60,948)
Profit/(loss) for the year from discontinued operations	**3,073**	(9,497)
Loss for the purpose of basic loss per share from continuing operations	**(357,358)**	(51,451)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	**6,834**	–
Loss for the purpose of diluted loss per share from continuing operations	**(350,524)**	(51,451)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

No diluted loss per share from continuing operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both years.

From discontinued operations

Basic earnings per share for the discontinued operation is HK0.06 cents (2008: loss per share of HK0.81 cents) based on the profit for the year from the discontinued operations of HK$3,073,000 (2008: loss for the year of HK$9,497,000) and the denominators detailed used are the same as those detailed above for basic and diluted loss per share.

No diluted loss per share from discontinued operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both years.

17. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors and senior management remuneration

The emoluments paid or payable to each of the 7 (2008: 5) directors were as follows:

The Group	Fees	Salaries, allowances, and other remuneration	Employer's contributions to pension schemes	2009 Total emoluments	2008 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Executive Directors					
Mr. Stephen William Frostick *(Chairman)*	–	60	–	**60**	60
Mr. Cai Zuping (resigned on 2 February 2009)	–	45	–	**45**	540
Mr. Lu Chunming	–	375	–	**375**	–
Mr. Shao Heng (appointed on 22 December 2009)	–	20	–	**20**	–
Independent Non-executive Directors					
Mr. Tso Hoi Sai, Bosco	–	60	–	**60**	60
Mr. Lee Chi Hwa, Joshua	–	60	–	**60**	60
Mr. Chang Jun	–	60	–	**60**	60
		680		**680**	780
Senior management					
Ang Wing Fung *(CFO)*	–	560	–	**560**	60
Total	–	1,240	–	**1,240**	840

The number of directors whose remuneration fell within the following band is as follows:

	2009	2008
HK$Nil to HK$1,000,000	**7**	5

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join the Group or as compensation for loss of office.

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 December 2009 and 2008.

17. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (continued)

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year included one (2008: one) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining four (2008: four) individuals during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**1,208**	1,226
Retirement benefits scheme contributions	**48**	39
Share-based payment expenses	**–**	–
	1,256	1,265

The number of the highest paid individuals whose remuneration fell within the following band is as follows:

	2009	2008
HK$Nil to HK$1,000,000	**4**	4

During the year, no remuneration (2008: HK$Nil) was paid by the Group to any of the highest paid individuals as an inducement to join the Group or as compensation for loss of office.

18. PROPERTY, PLANT AND EQUIPMENT

	Property under development	*Land and buildings under medium leases outside Hong Kong	Moulds	Leasehold Improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP									
COST OR VALUATION									
At 1 January 2008	20,112	1,009	–	1,026	16,015	3,250	2,670	8,555	52,637
Exchange rate adjustment	1,173	58	–	78	839	190	240	543	3,121
Reclassification	–	–	–	–	98	(98)	–	–	–
Transfer	(11,450)	10,194	–	–	1,195	–	61	–	–
Additions	17,292	–	21,350	112	418	275	629	980	41,056
Disposals	–	–	–	–	(67)	(34)	(74)	–	(175)
Derecognised on disposal of subsidiaries	(23,243)	(1,067)	–	(143)	–	(2,940)	(1,978)	(2,743)	(32,114)
At 31 December 2008 and 1 January 2009	3,884	10,194	21,350	1,073	18,498	643	1,548	7,335	64,525
Additions	7,695	–	6,619	475	580	116	914	601	17,000
Disposals	–	–	(9,344)	–	(257)	(127)	–	(199)	(9,927)
Transfer	(6,782)	–	–	–	6,196	–	481	105	–
Acquisition through business combinations	–	183	–	608	682	769	804	504	3,550
Elimination on Reclassification as held for sale	(4,797)	(10,194)	(18,625)	–	(24,775)	–	(1,669)	(1,686)	(61,746)
At 31 December 2009	–	183	–	2,156	924	1,401	2,078	6,660	13,402
DEPRECIATION									
At 1 January 2008	–	120	–	656	442	2,443	2,109	2,463	8,233
Exchange rate adjustment	–	10	105	76	78	220	216	32	737
Reclassification	–	–	–	–	17	(17)	–	–	–
Charge for the year	–	160	4,605	161	1,722	135	288	2,439	9,510
Eliminated upon disposal	–	–	–	–	(18)	(7)	(21)	–	(46)
Eliminated on disposal of subsidiaries	–	(143)	–	(141)	–	(2,388)	(1,756)	(2,106)	(6,534)
At 31 December 2008 and 1 January 2009	–	147	4,710	752	2,241	386	836	2,828	11,900
Charge for the year	–	347	10,324	217	2,405	94	525	2,207	16,119
Eliminated upon disposal	–	–	(3,931)	–	(26)	(65)	–	(19)	(4,041)
Acquisition through business combinations	–	40	–	310	323	318	514	131	1,636
Elimination on Reclassification as held for sale	–	(478)	(11,103)	–	(4,405)	–	(380)	(341)	(16,707)
At 31 December 2009	**–**	**56**	**–**	**1,279**	**538**	**733**	**1,495**	**4,806**	**8,907**
NET BOOK VALUE									
At 31 December 2009	**–**	**127**	**–**	**877**	**386**	**668**	**583**	**1,854**	**4,495**
At 31 December 2008	3,884	10,047	16,640	321	16,257	257	712	4,507	52,625

* *Leasehold land is included in property, plant and equipment only when the allocations between the land and builds elements cannot be made reliably.*

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost or valuation of the above assets at 31 December 2009 is as follows:

	Property under development HK$'000	Land and buildings under medium leases outside Hong Kong HK$'000	Moulds HK$'000	Leasehold Improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	183	–	2,156	924	1,401	2,078	6,660	13,402

THE COMPANY	**Leasehold improvement** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Computer equipment** *HK$'000*	**Total** *HK$'000*
COST				
At 1 January 2008	28	199	465	692
Additions	–	–	14	14
At 31 December 2008 and 1 January 2009	28	199	479	706
Additions	–	21	23	44
At 31 December 2009	28	220	502	750
DEPRECIATION				
At 1 January 2008	28	190	385	603
Charge for the year	–	4	40	44
At 31 December 2008 and 1 January 2009	28	194	425	647
Charge for the year	–	6	38	44
At 31 December 2009	**28**	**200**	**463**	**691**
NET BOOK VALUE				
At 31 December 2009	**–**	**20**	**39**	**59**
At 31 December 2008	–	5	54	59

18. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The carrying amount of the Group's land and buildings under medium leases outside Hong Kong would have been approximately HK$127,000 (2008:HK$10,194,000) had it been stated at cost less accumulated depreciation.

(b) The net book value of motor vehicle of HK$Nil (2008: HK$4,507,000) includes an amount of HK$Nil (2008:HK$3,000,000) which is used to secure the loan from other entity.

19. LEASE PREMIUM FOR LAND

	HK$'000
THE GROUP	
COST	
At 1 January 2008	2,951
Exchange adjustments	154
Disposal of subsidiaries	(3,105)
At 31 December 2008 and 2009	**–**
ACCUMULATED AMORTISATION	
At 1 January 2008	172
Exchange adjustments	–
Amortisation for the year	16
Disposal of subsidiaries	(188)
At 31 December 2008 and 2009	**–**
NET BOOK VALUE	
At 31 December 2009	**–**
At 31 December 2008	–

The leasehold land is held under medium-term lease and situated in the PRC.

20. MINING RIGHTS

	Mining Rights
	HK$'000
The Group	
Cost	
Acquisition from subsidiaries *(note a)*	550,875
At 31 December 2009	550,875
Amortisation and impairment	
Impairment for the year *(note b)*	314,511
At 31 December 2009	314,511
Net book value	
At 31 December 2009	236,364

Notes:

a) The recognition of fair value of mining right of Xiong Cun Mine of approximately HK$550.8 million *(note 41)* arising from the acquisition which has been determined as the difference between the consideration of HK$550 million directly attributable to the acquisition and the Group's interest on net liabilities of Super Surplus Trading Limited and its subsidiaries ("Super Surplus Group") acquired at book value of approximately HK$0.875 million.

   The amount of fair value of mining right of Xiong Cun Mine was determined based on the final consideration paid by the Group and the Group's interest in the fair value of the identifiable assets and liabilities of the Super Surplus Group.

b) At 31 December 2009, a net impairment of HK$315 million on mining rights was recognised. The impairment was resulted from the difference between the carrying cost at 31 December 2009 and the estimated market value of HK$236 million that was valued by BMI Appraisals Limited, an independent valuation firm, under the Market approach. Based on the valuation report, the decrease in carrying amounts of the mining rights was mainly due to the significant drop in metal prices during 2009 in the PRC.

   The calculation of market value is most sensitive to the following assumptions:

   - Reserve volumes
   - Discount rates
   - Metal prices

   Estimated reserve volumes are based on reserve report made at the time of acquisition. The discount rate is derived from the Group's post tax weighted average cost of capital. The metal prices are quoted from the market at the end of reporting period.

   No amortisation for the mining rights was incurred during the year as the commercial viability of extracting mineral resources are not demonstrable.

21. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	**508,349**	15,917
Amounts due from subsidiaries *(Note (b))*	**701,589**	141,541
Amounts due to subsidiaries *(Note (b))*	**(1,369)**	(1,528)
Impairment losses	**(98,392)**	(98,392)
	1,110,177	57,538

(a) Details of the Company's subsidiaries at 31 December 2009 are as follow:

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Directly held:				
China Gocom Information (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom (Holdings) Limited	Hong Kong	Ordinary HK$1,000,000	100%	Inactive
Probest Technology Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Hong Kong Chang Kang (Holdings) Limited	British Virgin Islands	Ordinary US$100	100%	Investment holding
Golden Motor Worldwide Limited	British Virgin Islands	Ordinary US$1	100%	Trading of securities
Endless Profit International Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Winning Reward Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Global Resources Development (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100%	Inactive

21. INVESTMENT IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Wealthy China Group Limited	British Virgin Islands	Ordinary US$150	100%	Investment holding
Champion Skill Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Indirectly held:				
Neolink Wireless Technology Limited	Hong Kong	Ordinary HK$8,947,193	100%	Investment holding
China Gocom Information Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Beijing Cheong Lee Gocom Information Technology Company Limited (Formerly known as Beijing Neolink Information Technology Company Limited)	The PRC	Registered US$500,000	100%	Trading of products relating to telemedia system and provision of relevant and related technical services
Hangzhou Neolink Wireless Communication Technology Company Limited (Formerly known as Hangzhou Neolink Software Technology Company Limited)	The PRC	Registered RMB16,812,820	100%	Development and sales of radio trunking systems related software
ChongQing TianKang Investment Consultants Limited	The PRC	Registered RMB1,000,000	100%	Provision for management and related services
Super Surplus Trading Limited	British Virgin Islands	Ordinary US$760,000	100%	Investment holding
G. G Investment Holdings Limited	Hong Kong	Ordinary HK$1	100%	Investment holding

21. INVESTMENT IN SUBSIDIARIES (continued)

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Shenzhen Zhiyingjun Network Technology Company Limited	The PRC	Registered RMB1,000,000	100%	Investment holding
Shenzhen Wan Cheng Investment Consultancy Limited Company	The PRC	Registered RMB5,000,000	100%	Investment holdings
Jiangxi Tai Sheng Industry Limited Company	The PRC	Registered RMB10,000,000	100%	Investment holding
Jingxi Province Lichuan Xian Xiong Cun Mineral's Development Limited Company	The PRC	Registered RMB500,000	100%	Exploration and development of mineral resources
Billion Trend (China) Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Beijing Upway Science & Technology Development Co., Limited	The PRC	Registered RMB10,000,000	100%	Development and maintenance of healthcare system
China Chief Medical Standards Database Co., Limited	The PRC	Registered RMB20,000,000	60%	Development and maintenance of healthcare system
King Dynasty Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Inactive

(b) Amounts due from/to subsidiaries are unsecured, interest-free and are not repayable within the next twelve months.

(c) The Directors of the Company consider that the carrying amounts due from subsidiaries approximate their fair values.

22. GOODWILL

	2009 HK$'000	2008 HK$'000
Cost		
Balance at beginning of year	–	–
Additional amount recognised from business combinations occurring during the year *(note 41)*	487,695	–
Balance at end of year	487,695	–
Accumulated impairment losses		
Balance at beginning of year	–	–
Impairment losses recognised in the year	–	–
Balance at end of year	–	–
Carrying amounts		
Balance at end of year	487,695	–

At the end of the reporting period, the Group assessed the recoverable amount of goodwill associated with certain of the Group's selling activities from healthcare information technology business. The recoverable amount of the selling activities was assessed by reference to the relevant cash-generating unit's value in use. A discount factor of 10% per annum was applied in the value in use model. No write-down of the carrying amounts of assets in the cash-generating unit was necessary.

23. JOINTLY CONTROLLED ENTITY

As at 31 December 2009, the Group had interests in the following significant jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Issued and fully paid up capital	Proportion of nominal value of issued capital held by the Group	Principal activities
South JinKang Automobile Parts and Components Company Limited	Incorporated	The PRC	The PRC	Registered RMB100,000,000	49%	Manufacturing and sales of automobile stamping and welding parts and related accessories

23. JOINTLY CONTROLLED ENTITY (continued)

On 5 March 2010, the Group announced that it is going to dispose South Jinkang at RMB47 millions. The operations of South Jinkang was reclassified as held for sales at 31 December 2009.

The summarised financial information in respect of the Group's jointly controlled entity if the Group accounted for it by using proportionate consolidation with the line-by-line reporting format is set out below:

	2009	2008
	HK$'000	*HK$'000*
Non-current assets	**45,039**	48,268
Current assets	**231,492**	159,592
Current liabilities	**223,737**	158,139
Income	**469,521**	279,995
Expenses	**466,448**	289,492
Comprehensive income	**–**	–

24. AVAILABLE FOR SALE INVESTMENTS

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Unlisted investments at cost *(note (i))*	**20,000**	–

Note:

(i) The Group holds 10% registered capital of Norwell Limited, an investment holding company, and its subsidiaries mainly involved in production and sales of ferro-silicon and ferro alloys in the PRC.

25. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**15**	11,821
Work in progress	**1,112**	13,215
Finished goods	**2,203**	67,792
	3,330	92,828
Impairment loss	**–**	(8,408)
	3,330	84,420

Inventories of the Group were carried at net realisable value of HK$Nil (2008: HK$14,136,000) at the balance sheet date.

Movement in the impairment loss for inventories

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**8,408**	1,291
Exchange adjustment	**–**	259
Increase in provision during the year	**–**	6,858
Reclassified as disposal group held for sale	**(8,408)**	–
Balance at end of the year	**–**	8,408

26. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**–**	18,128
31 to 60 days	**568**	16,136
61 to 90 days	**11,067**	1,630
91 to 120 days	**–**	–
Over 120 days	**102**	10,151
	11,737	46,045

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 60 days or according to the terms of the sales contracts. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted up to 60 days.

The directors consider that the carrying amount of trade receivables approximates their fair value.

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

As at 31 December 2009, trade receivables over 120 days amounted to HK$102,000 (2008: HK$10,151,000) were past due but not impaired as the balances were related to debtors with sound repayment history and no recent history of default.

27. FINANCIAL ASSETS HELD FOR TRADING

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**14,657**	14,118

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

28. CASH AND BANK BALANCES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Cash and bank balances	**103,820**	47,701
Fixed bank deposits	**13,198**	–
Deposits at other financial institution	**4,721**	3,040
Pledged bank deposits	**–**	2,012
	121,739	52,753

Bank balances and deposits at other financial institution carry interest at market rates which range from 0.1% to 3.5% (2008: 3.5% to 4%) per annum.

Pledged deposits of HK$Nil (2008: HK$2,012,000) represents deposits pledged to finance company to secure the borrowings. The pledged fixed deposits were released upon the settlement of relevant borrowings.

29. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
0 to 30 days	**–**	12,510
31 to 60 days	**–**	9,658
61 to 90 days	**–**	41,932
91 to 120 days	**–**	1
Over 120 days	**313**	550
	313	64,651

The directors consider that the carrying amount of trade payables approximates their fair value.

30. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from a related company are as follows:

	THE GROUP *HK$'000*	THE COMPANY *HK$'000*
Balance at 31 December 2009	–	–
Balance at 31 December 2008	25	25
Maximum amount owed to the Group during the year	25	25

The amounts due from related companies are unsecured, interest-free and has no fixed terms of repayment.

31. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

32. BORROWINGS

	THE GROUP	
	2009 ***HK$'000***	2008 *HK$'000*
Secured bank loans *(note (i))*	–	35,899
Secured loan from a finance company *(note (ii))*	–	1,799
	–	37,698
Carrying amount repayable:		
On demand or within one year	–	36,636
More than one year, but not exceeding two years	–	787
More than two years, but not more than five years	–	275
	–	37,698
Less: Amounts due within one year shown under current liabilities	–	36,636
	–	1,062

Notes:

(i) The bank loans are interest-bearing at 7.47% to 8.59% per annum on 2008 and are secured by trade receivables of 長安福特馬自達有限公司 of HK$23.9 million, plant and machinery at carrying amount of HK$14.2 million and guaranteed by a third party of the group.

(ii) The loan carries interest at a fixed rate of Nil (2008: 2.85% p.a.), is repayable by instalments. It is secured by the group's motor vehicle with net book value of HK$Nil (2008: HK$3,000,000) and a fixed deposit of HK$Nil (2008: HK$2,012,000).

33. CONVERTIBLE BONDS

On 8 January 2009, the Group issued convertible bonds with an aggregate principal amount of HK$465 million (the "CB I") due in 2014 with conversion price of HK$0.04 per share to acquire 100% equity interests in Super Surplus Trading Limited.

The Group may redeem the CB I at 105% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB I outstanding on the maturity date shall be redeemed by the Group at 105% of the outstanding principal amount.

At 31 December 2009, the CB I were converted into ordinary shares with aggregate principal amounts of HK$241,440,000 at a conversion price of HK$0.04 per conversion share.

The CB I do not bear any interest. The effective interest rate of liability is 3.44%. The maturity date is on the fifth anniversary of the date of issue of the CB I.

On 23 October 2009, the Group issued convertible bonds with an aggregate principal amount of HK$498 million ("CB II") due in 2014 with conversion price of HK$0.168 per share to acquire 100% equity interest of Wealthy China Group Limited.

The company may redeem the CB II at 105% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB II outstanding on the maturity date shall be redeemed by the Company at 105% of the outstanding principal amount.

At 31 December 2009, the CB II were totally converted into ordinary shares with aggregate principal amounts of HK$498 million at a conversion price of HK$0.168 per conversion share.

The CB II do not bear any interest. The effective interest rate of liability is 82.1%. The maturity dates are on the fifth anniversary of the date of issue of the CB II.

The movement of liabilities component of the Convertible Bonds for the year is set out below:

	THE GROUP AND THE COMPANY		
	CB I	**CB II**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Proceeds of issue	465,000	498,000	963,000
Equity component	(52,898)	(471,871)	(524,769)
Liability component at date of issue	412,102	26,129	438,231
Interest charged	9,319	2,744	12,063
Converted into ordinary shares	(216,462)	(28,873)	(245,335)
Liability component at 31 December 2009	**204,959**	**–**	**204,959**

34. SHARE CAPITAL

	Number of shares of HK$0.1 each	Number of shares of HK$0.01 each	Nominal Value
			HK$
Authorised:			
At 1 January 2008	2,000,000,000	–	200,000,000
Increase in authorised share capital *(note a)*	3,000,000,000	–	300,000,000
Reduction of capital to set off accumulated losses *(note b)*	(5,000,000,000)	50,000,000,000	–
At 31 December 2008 and 31 December 2009	**–**	**50,000,000,000**	**500,000,000**
Issued and fully paid:			
At 1 January 2008	1,168,160,000	–	116,816,000
Exercise of share option	100	–	10
Reduction of capital to set off accumulated losses	(1,168,160,100)	1,168,160,100	(105,134,409)
At 31 December 2008 and 1 January 2009	–	1,168,160,100	11,681,601
Exercise of convertible bonds *(note c)*	–	9,000,285,714	90,002,857
Issue of ordinary share under placement of shares *(note d)*	–	570,000,000	5,700,000
At 31 December 2009	**–**	**10,738,445,814**	**107,384,458**

34. SHARE CAPITAL (continued)

Note:

(a) Pursuant to the ordinary resolution passed in the Annual General Meeting of the Company held on 15 April 2008, the authorised share capital was increased from HK$200 million to HK$500 million by the creation of an additional 3,000,000,000 ordinary shares of HK$0.1 each.

(b) On 25 August 2008, the par value of each issued shares of HK$0.10 will be reduced to HK$0.01 by canceling paid-up capital to the extent of HK$0.09 on each issued shares and each authorised but unissued share will be subdivided into 10 new shares of HK$0.01 each. The authorised share capital of the Company was HK$500,000,000 divided into 5,000,000,000 shares of HK$0.10 each, of which 1,168,160,100 shares were in issue and fully paid. After 25 August 2008, the authorised share capital of company will be HK$500,000,000 divided into 50,000,000,000 new shares of HK$0.01 each, of which 1,168,160,100 new shares will have been issued and fully paid.

(c) On 8 January 2009, the Group issued convertible bonds with an aggregate principal amount of HK$465 million (the "CB I") due to 2014 with conversion price of HK$0.04 per share. At 31 December 2009, the CB I were converted into ordinary shares with aggregate principal amounts of HK$241,440,000 at a conversion price of HK$0.04 per conversion share.

On 23 October 2009, the Group issued convertible bonds with an aggregate principal amount of HK$498 million ("CB II") due to 2014 with conversion price of HK$0.168 per share. At 31 December 2009, the CB II were totally converted into ordinary shares with aggregate principal amounts of HK$498 million at a conversion price of HK$0.168 per share.

These share issued rank pari passu in all respects with the then existing shares. Details of the convertible bonds are set out in note 33.

(d) On 30 December 2009, the Company has allocated and issued 570,000,000 Subscription Shares to the Vendor at HK$0.183 per Subscription Share.

35. RESERVES

The Company	Share premium *note (i)* *HK$'000*	Share-based compensation reserve *HK$'000*	Convertible bonds equity reserves *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2008	212,802	33,424	–	(127,577)	118,649
Written back for share-based payments	–	(3,342)	–	–	(3,342)
Reduction of capital to set off accumulated losses	–	–	–	105,134	105,134
Net loss for the year	–	–	–	(77,868)	(77,868)
At 31 December 2008 and 1 January 2009	212,802	30,082	–	(100,311)	142,573
Recognition of equity component of convertible bonds	–	–	524,769	–	524,769
Exercise of convertible bonds	654,670	–	(499,337)	–	155,333
Issue of ordinary share under placement of shares	98,610	–	–	–	98,610
Net loss for the year	–	–	–	(21,369)	(21,369)
At 31 December 2009	**966,082**	**30,082**	**25,432**	**(121,680)**	**899,916**

(i) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

36. SHARE OPTION

The Company adopted a new share option scheme ("the Scheme") on 30 July 2007, which became effective for a period of 10 years commencing on 10 August 2007 and will expire on 9 August 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner and shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Share in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

The old Share Option Scheme was terminated on 14 January 2008. All outstanding options granted under the old Share Option Scheme were cancelled upon termination thereof.

36. SHARE OPTION (continued)

Movements of share options during the year are as follows:

Name of Category of participant	As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2009	Date of granted of share options	Exercise period of share options	Exercise price of share options
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007- 9 August 2012	HK$0.38
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007- 9 August 2012	HK$0.38
Total	87,659,900	–	–	–	–	87,659,900			

37. PLEDGE OF ASSETS

At 31 December 2008, pledged bank deposits of HK$59.7 million, in which 49% of approximately HK$29.2 million is recorded in Group's current assets, is secured for the bills payable by the jointly controlled entity.

At 31 December 2009, the Group has no pledged assets.

38. BANKING FACILITIES

At 31 December 2009, the Group has no bank facilities.

At 31 December 2008, the Group's banking facilities of approximately RMB6,000,000 are guaranteed by a third party of the Group. And also Group has other banking facility in joint controlled entity amounting to RMB50,000,000 was secured by its trade receivables in joint venture of RMB42 million and RMB15,000,000 was secured by plant and machinery of RMB25.5 million. These two facilities were utilized in the joint venture to the extent of RMB52 million as at the end of reporting period.

39. LEASE COMMITMENTS

At 31 December 2009, the minimum lease payments under non-cancellable operating leases for the land and buildings are payable as follows:

	2009	2008
	HK$'000	*HK$'000*
Operating lease commitments in respect of land and buildings which fall due as follows:		
Within one year	**4,545**	1,651
In more than one year but not exceeding five years	**5,996**	2,635
	10,541	4,286

40. CAPITAL COMMITMENT

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of Mine contracted for but not provided in the consolidated financial statements	–	490,000

Furthermore, the Group's share of the capital commitments of its joint ventures in respect of acquisition of machinery are as follows:

Contracted for but not provided	**23,807**	23,807
Authorised but not contracted for	–	–

41. BUSINESS COMBINATIONS

Subsidiaries acquired

2009	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
				HK$'000
Super Surplus Trading Limited	Investment holding	31/1/2009	100%	550,000
Wealthy China Group Limited	Investment holding	31/10/2009	100%	498,000
				1,048,000

Super Surplus Trading Limited ("Super Surplus") was acquired so as to expend the business to the exploration and development of mineral resources and Wealthy China Group Limited ("Wealthy China") was acquired so as to expend the business to the healthcare information technology.

41. BUSINESS COMBINATIONS (continued)

Fair value of identifiable assets and liabilities acquired at the date of acquisition

Super Surplus Limited

	Fair value *HK$'000*	Acquiree's carrying value *HK$'000*
Mining rights	550,875	–
Property, plant and equipment	574	574
Inventories	218	218
Prepayments, deposit and other receivables	751	751
Cash and cash equivalents	1,489	1,489
Accruals and other payables	(3,907)	(3,907)
Fair value of identifiable net assets acquired	550,000	(875)

Wealthy China Group Limited

	Fair value *HK$'000*	Acquiree's carrying value *HK$'000*
Goodwill	–	11,127
Intangible assets	–	1,136
Property, plant and equipment	1,340	1,340
Inventories	–	248
Prepayments, deposit and other receivables	14,764	18,361
Cash and cash equivalents	6,387	6,387
Accruals and other payables	(7,222)	(7,222)
Tax payables	(17)	(17)
Identifiable net assets acquired	15,252	31,360
Non-controlling interests	(5,222)	(5,222)
Fair value of identifiable net assets acquired	10,030	26,138

41. BUSINESS COMBINATIONS (continued)

Goodwill arising on acquisition

	Super Surplus *HK$'000*	Wealthy China *HK$'000*	Total *HK$'000*
Cash consideration	85,000	–	85,000
Issued convertible bonds issued as consideration	465,000	498,000	963,000
Total purchase consideration	550,000	498,000	1,048,000
Less: non-controlling interest in sharing fair value adjustment	–	(275)	(275)
Less: fair value of identifiable net assets acquired (as above)	(550,000)	(10,030)	(560,030)
Goodwill recognised in the business combination	–	487,695	487,695

Net cash outflow on acquisition of subsidiaries

	Super Surplus *HK$'000*	Wealthy China *HK$'000*	Total *HK$'000*
Consideration paid in cash	(85,000)	–	(85,000)
Less: cash and cash equivalent balances acquired	1,489	6,387	7,876
Net cash outflow of cash and cash equivalent in respect of the acquisition	(83,511)	6,387	(77,124)

For the period between the date of acquisition and 31 December 2009, No turnover of Super Surplus Trading Limited contributed to the Group's consolidated turnover and it contributed loss of HK$346,663,000 to Group's loss for the year in consolidated statement of comprehensive income.

Besides, Wealthy China Group Limited contributed HK$1,769,000 to the Group's consolidated turnover and loss of HK$328,000 to the Group's loss for the year in consolidated statement of comprehensive income.

42. DISPOSAL OF SUBSIDIARIES

In Year 2008, the Group disposed its subsidiaries, including Neolink Communications Technology (BVI) Limited, Neolink Communications Technology Limited, Neolink Electronic Technology (Beijing) Company Limited, Neolink Huadain Electronic Technology (Shenzhen) Company Limited, Neolink Communications Technology (Hangzhou) Limited, Neolink Broadway Intelligent Transportation Information Technology (Shanghai) Limited to an independent purchaser with an aggregation consideration of HK$16,000,000. The net assets of subsidiaries at the date of disposal were as follow:

	2009	2008
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	–	25,580
Land lease premium	–	2,917
Inventories	–	11,413
Trade and other receivables	–	9,531
Amounts due from related companies	–	2,040
Cash and bank balances	–	6,951
Trade and other payables	–	(20,636)
Amounts due to a ultimate holding company	–	(47)
Amounts due to fellow subsidiaries	–	(1,825)
Amounts due to related companies	–	(14,445)
Borrowings	–	(5,555)
	–	15,924
Release of exchange reserves	–	(1,781)
	–	14,143
Minority interest	–	455
Gain on disposal of subsidiaries	–	1,402
	–	16,000
Satisfied by:		
Cash	–	16,000
Net cash flow arising on disposal during the year		
Cash consideration	–	16,000
Cash and bank balances disposed of	–	(6,951)
	–	9,049

43. RETIREMENT BENEFIT COSTS

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme (i.e. 5% of staff's relevant income with upper monthly limit of HK$1,000). The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations. (i.e. 8% – 23% of the basic salary).

The only obligation of the Group in respect of the retirement benefit schemes is to make the required contributions under the respective schemes.

The total cost charged to the consolidated income statement of approximately HK$2,799,000 (2008: HK$1,539,000) represents contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year ended 31 December 2009 at rates specified in the rules of the relevant schemes at 31 December 2009, contributions due in respect of the current reporting year had not been paid over the relevant schemes was HK$ Nil (2008: HK$ Nil).

44. RELATED PARTY TRANSACTIONS

(a) In the normal course of business the Group entered into the following significant transactions with related parties during the year:

		THE GROUP	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Sales of automobile stamping and welding parts and related accessories to Chongqing Changan Jinling Automobile Parts Co., Ltd. ("Chongqing Changan Jinling")	(i)	**–**	5,698
Purchase of raw material from Chongqing Changan Jinling		**14,766**	3,876

Note:

(i) Chongqing Changan Jinling holds 51% of South JinKang Automobile Parts and Components Company Limited.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year can be referenced to note 15(a) and 15(b) to the financial statements. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

45. POST BALANCE SHEET EVENTS

On 26 February 2010, the Board announces that Hong Kong Chang Kang (Holdings) Limited ("Chang Kang"), a wholly owned subsidiary of the Group, entered into the agreement with the Purchaser pursuant to which Chang Kang has conditionally agreed to sell to the Purchaser the 49% equity interest in the South JinKang Automobile Parts and Components Company Limited at consideration of RMB47 million in cash.

46. COMPARATIVE FIGURES

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

FINANCIAL SUMMARY

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	(Restated) 2005 HK$'000
Results					
Turnover	**15,345**	287,071	141,812	37,542	27,971
(Loss) profit from operations	**(345,368)**	(59,737)	(45,321)	5,611	1,475
Gain on deemed disposal of interest in a subsidiary	**–**	–	–	–	12,861
Gain on disposal of subsidiaries	**–**	1,402	–	1,121	–
Finance costs	**(12,285)**	(3,137)	(1,154)	(600)	(405)
(Loss) profit before tax	**(357,653)**	(61,472)	(46,475)	6,132	13,931
Income tax credit (expense)	**(143)**	520	(1,236)	(1,320)	(430)
(Loss) profit for the year from continuing operations	**(357,796)**	(60,952)	(47,711)	4,812	13,501
(Loss) profit before tax from discontinued operations	**4,602**	–	–	–	(6,933)
Income tax credit	**(1,529)**	–	–	–	102
(Loss) profit for the year from discontinued operations	**3,073**	–	–	(17,451)	(6,831)
	(354,723)	(60,952)	(47,711)	(12,639)	6,670
(Loss) profit attributable to shareholders	**(354,285)**	(60,948)	(47,570)	(4,815)	10,151
(Loss) profit attributable to non-controlling interests	**(438)**	(4)	(141)	(7,824)	(3,481)
Net (loss) profit for the year	**(354,723)**	(60,952)	(47,711)	(12,639)	6,670
Assets and liabilities					
Total assets	**1,204,681**	386,276	380,752	74,897	65,813
Total liabilities	**(477,244)**	(180,113)	(109,741)	(38,371)	(18,820)
Non-controlling interests	**(4,509)**	–	451	310	(8,316)
Shareholders' funds	**722,928**	206,163	271,462	36,836	38,677