中國農業生態有限公司
China Eco-Farming Limited

(Formerly known as "Linefan Technology Holdings Limited 藍帆科技控股有限公司*")
(Continued into Bermuda with limited liability)
(Stock Code: 8166)

ANNUAL REPORT 2009

*For identification purpose only

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

GEM has been positioned as a market designed to accommodate companies to which a higher 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 GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on 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 GEM.

This report, for which the directors (the "Directors") of China Eco-Farming Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and no misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
Mr. Chu Yu Man, Philip

Non-executive Director

Mr. Tang Shun Lam (resigned as Chairman and Non-executive Director on 13 August 2009)

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Chow Pui Mau, William (resigned on 8 May 2009)

AUTHORISED REPRESENTATIVES

Mr. Tsang Chi Hin
Mr. Chu Yu Man, Philip (appointed on 13 March 2009)

AUDIT COMMITTEE

Mr. Yeung Chi Tat *(Chairman)*
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Tang Shun Lam (resigned on 13 August 2009)
Mr. Chow Pui Mau, William (resigned on 8 May 2009)

NOMINATION COMMITTEE

Mr. Tsang Chi Hin *(Chairman)*
Mr. Yeung Chi Tat
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

REMUNERATION COMMITTEE

Mr. Cheung Tak Shum *(Chairman)*
Mr. Yeung Chi Tat
Mr. Lau Tin Cheung
Mr. Tang Shun Lam (resigned on 13 August 2009)

COMPLIANCE OFFICER

Mr. Tsang Chi Hin

COMPANY SECRETARY

Mr. Cheung Yuk Chuen

AUDITOR

SHINEWING (HK) CPA Limited
16/F., United Centre, 95 Queensway,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1301, 13/F., The Centre Mark,
287-299 Queen's Road Central,
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Limited

GEM STOCK CODE

8166

WEBSITE ADDRESS

www.aplushk.com/clients/8166chinaeco-farming/index.html

Profile of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tsang Chi Hin ("Mr. Tsang"), aged 51, was appointed as an executive Director on 30 September 2008 and chief executive officer on 13 October 2008. Mr. Tsang is also the chairman and member of nomination committee of the Company and is also a director of one of the subsidiaries of the Company. Mr. Tsang was an executive Director, Chairman and Chief Executive Officer of China Railway Logistics Limited (formerly known as Proactive Technology Holdings Limited), which is listed on the GEM of the Stock Exchange. Mr. Tsang resigned as executive Director, Chairman and Chief Executive Officer of China Railway Logistics Limited on 16 October 2007 and remained as a non-executive Director until 17 October 2008. He is the co-founder of China Railway Logistics Limited and its subsidiaries and he was responsible for corporate strategic planning and management. Mr. Tsang holds a bachelor degree in economics and a higher certificate in electronic engineering with over 23 years of experience in telecommunications and electronic industries. Mr. Tsang started his marketing career in 1984. He then joined Hongkong Telecom as a consultant in marketing data communication services in 1987 and his last position in Hongkong Telecom was account director.

Mr. Tsang is a connected person to the controlling shareholder of the Company, Top Status International Limited (a wholly-owned subsidiary of China Railway Logistics Limited) which is interested in 776,406,430 shares of the Company, representing approximately 32.18% of the issued share capital of the Company, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). Save as disclosed above, Mr. Tsang is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Tsang did not hold any other position in the Company or its subsidiaries and did not hold any directorships in other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Tsang was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Chu Yu Man, Philip ("Mr. Chu"), aged 53, was appointed as an executive Director on 30 September 2008. He is also a director of the subsidiaries of the Company. Mr. Chu has over 26 years of extensive experience in sales and development of electronic and telecommunication products. Mr. Chu previously served as the sales and marketing director for a United States of America based company which is engaged in businesses in United States of America, Europe and the People's Republic of China.

Save as disclosed above, Mr. Chu is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Chu did not hold any other position in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Chu was not interested or deemed to be interest in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chi Tat ("Mr. Yeung"), aged 40, was appointed as an independent non-executive Director on 30 September 2008. Mr. Yeung is also the chairman of audit committee and members of remuneration committee and nomination committee of the Company. Mr. Yeung holds a Bachelor Degree in Business Administration and a Master Degree in Professional Accounting. Mr. Yeung possesses more than 10 years experience in auditing, corporate restructuring and corporate financial services. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a senior international finance manager of International Financial Management Association. Mr. Yeung is currently the financial controller and company secretary of Dynasty Fine Wines Group Limited of which is listed on the main board of the Stock Exchange. He is the independent non-executive director of ANTA Sports Products Limited and Ta Yang Group Holdings Limited, both of which securities are listed on the main board of the Stock Exchange.

Saved as disclosed above, Mr. Yeung is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Yeung did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Yeung was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Cheung Tak Shum ("Mr. Cheung"), aged 53, was appointed as an independent non-executive Director on 30 September 2008. Mr. Cheung is also the chairman and member of remuneration committee and members of audit committee and nomination committee of the Company. Mr. Cheung holds a diploma in sociology and has over 21 years of experience in trading of engineering and related chemical products in the People's Republic of China.

Saved as disclosed above, Mr. Cheung is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Cheung did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Cheung was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Profile of the Directors and Senior Management

Mr. Lau Tin Cheung ("Mr. Lau"), aged 47, was appointed as an independent non-executive Director on 30 December 2008. Mr. Lau is also the members of audit committee, nomination committee and remuneration committee of the Company. He has been educated and worked in Hong Kong and United Kingdom. He holds a Bachelor of Engineering Degree at the University of Nottingham and a Master of Science Degree in Structural Engineering at the University of Manchester Institutional of Science and Technology. Mr. Lau has about 21 years of experience in investment and project management of public and private companies in Hong Kong and the People's Republic of China. He is currently working for Tianjin Development Holdings Limited as an investment director, a company listed on the main board of the Stock Exchange.

Saved as disclosed above, Mr. Lau is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Lau did not hold any positions in the Company or any of its subsidiaries and did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Lau was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

SENIOR MANAGEMENT

Mr. Lam Raymond Shiu Cheung, aged 43, graduated from the Victoria University of Melbourne, Australia with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Raymond Lam has 17 years extensive experience in business development and corporate finance. He started his career in corporate banking ; he then joined one of the biggest oil companies in the USA specializing in the area of business development. Currently he is the Deputy Chief Executive Officer of the Company, a company listed on the GEM Board of the Stock Exchange. He is also an independent non-executive director of ZZNode Technologies Company Limited (Stock Code: 2371), a company listed on the Main Board of the Stock Exchange. He was an independent non-executive director of China Bio-Med Regeneration Technology Limited (Stock Code: 8158) during the period from 23 June 2008 to 26 June 2009 and China Railway Logistics Limited (Stock Code: 8089) during the period from 22 December 2008 to 17 June 2009, both China Railway and China Bio-Med are listed on the GEM Board of the Stock Exchange.

BUSINESS REVIEW

Both the global and local economy appears to be on the road to recovery during the year 2009. With the strong fundamental economic figures of the People's Republic of China (the "PRC") coupled with the expertise of the Company's management in the realms of telecommunications, information technology and hi-tech industry as well as their connections and networking, the Group recorded a notable increase in revenue for its one-stop value chain service business for the year under review.

The one-stop value chain business commenced in late 2008 in order to serve the information technology ("IT"), telecommunications and advanced manufacturing industries with products and services provisions including logistics, systems support and supply of technological advanced products and knowledge-based services. The one-stop value chain business provides various services including supply chain management, logistics management, distribution services and customer-focused design solutions.

Disposal of Subsidiaries

On 29 September 2009, the Company entered into a conditional sale and purchase agreement with Skycomm International Limited to dispose its entire 100% equity interest in Chineseroad Incorporated ("Chineseroad"), a wholly-owned subsidiary of the Company.

Chineseroad and its subsidiaries (the "Chineseroad Group") were principally engaged in the knowledge management-related network application systems and technology as well as provision of voice search engine portal services. Since the first quarter of 2009, the business of the Chineseroad Group has recorded no revenue. It is observed that the revenue generated from the Chineseroad Group has become insignificant to the Group and has substantially decreased after the financial year ended 31 December 2008.

Upon completion of this transaction on 9 December 2009, Chineseroad Group ceased to be subsidiaries of the Company and the Group has concentrated on the development of its existing business of one-stop value chain services.

Investments

On 25 June 2009, Kama Business Holdings Limited ("Kama"), a wholly-owned subsidiary of the Company, acquired 49% equity interest in FDC Limited ("FDC"), a company incorporated in Samoa with limited liability.

On 21 May 2009, FDC entered into a framework agreement ("Framework Agreement") with the Heilongjiang Municipal Government in relation to the proposed investment of livestock farming in Heilongjiang with possible investment of approximately RMB10 billion.

On 24 June 2009, FDC entered into a memorandum of understanding ("MOU") with the Jiangxi Province Fuzhou City Municipal Government in relation to the proposed investment of livestock farming, construction and operation of abattoirs, processing workhouses and cold storage facilities in Fuzhou City with possible investment of approximately RMB2 billion. According to the Framework Agreement and MOU, the respective municipal governments will assist and support, offer incentives, and facilitate the investment of FDC in the local livestock farming industry.

As at the date of this report, the Board is still in the process of reviewing the respective businesses and formal agreements have not been reached.

Change of Company Name

The Company is planning to diversify its business into agriculture and farming in the PRC. In order to better reflect this business and to improve the Company's corporate image and identity, the name of the Company has been changed from "Linefan Technology Holdings Limited" ("藍帆科技控股有限公司" adopted for identification purpose only) to "China Eco-Farming Limited 中國農業生態有限公司" with effect from 13 October 2009.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's revenue from continuing and discontinued operations was approximately HK$35,844,000 (2008: HK$10,832,000) representing an increase of approximately 230.9% as compared to that of last year.

Cost of sales from continuing and discontinued operations for the year under review increased to approximately HK$34,940,000 from approximately HK$8,896,000 last year, representing an increase of approximately 292.8%. The increase was in line with the increase in revenue during the year.

Administrative expenses from continuing and discontinued operations for the year increased to approximately HK$12,474,000 from HK$8,062,000 last year, representing an increase of 54.7%. The significant increase in administrative expenses was mainly due to the increase in payroll expenses since the Group has changed the management since the late of Year 2008.

Finance costs for the year under review increased to approximately HK$2,083,000 from approximately HK$1,505,000, representing an increase of 38.4% as there was a loan interest of approximately of HK$484,000 to a fellow subsidiary for loan advanced of HK$12,000,000 during the year.

The Group recorded a loss attributable to shareholders of the Company in the amount of approximately HK$8,838,000 as compared to the loss attributable to shareholders of the Company of approximately HK$20,021,000 last year.

As a result, basis loss per share of the Company from continuing and discontinued operations was significantly decreased from HK2.6 cents for the year ended 31 December 2008 to HK1.1 cents for the year ended 31 December 2009.

Liquidity and Financial Resources

The Group financed its business operations with internally generated cash flow, unsecured loans and a loan from a fellow subsidiary. In addition, the Group has completed the Placement on 9 November 2009. The gross proceeds and net proceeds, after deducting all related expenses, were approximately HK$9,800,000 and HK$9,556,000 respectively. As at 31 December 2009, the cash and cash equivalents balance of the Group was approximately HK$23,985,000 (2008: HK$11,457,000).

As at 31 December 2009, the Group had net liabilities of approximately HK$4,015,000 (2008: HK$1,069,000). The Group maintained net current assets of approximately HK$23,410,000 (2008: HK$13,230,000).

Gearing Ratio

At the end of the reporting period, the total liabilities of the Group amounted to approximately HK$32,459,000 (2008: HK$22,288,000), which mainly comprised the trade and other payables and accruals, amount due to ultimate holding company, amount due to a fellow subsidiary, unsecured loans, loan from a fellow subsidiary and liability component of convertible preference shares. As at 31 December 2009, the Group has total assets of HK$28,444,000 (2008: HK$21,219,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets remain stable as 1.1 as at 31 December 2009 (2008: 1.1).

Segmental Information

During the year under review, all of the revenue from continuing and discontinued operations of the Group was generated from the one-stop value chain services segment. As compared to that of 2008, 73% of revenue of the Group was generated from the one-stop value chain services segment and 27% of revenue of the Group was generated from voice portal and KM systems segment.

For the geographical segments, all of the revenue from continuing and discontinued operations of the Group was derived from Hong Kong for the year under review. As compared to that of 2008, the geographical segments of the Group were approximately 73% derived from Hong Kong and 27% derived from the PRC.

The details of segmental information are set out in note 7 to the consolidated financial statements.

Employees and Remuneration Policies

As at 31 December 2009, the Group had 15 (2008: 19) full-time employees in Hong Kong. Staff costs, including directors' remuneration, of the Group for the year ended 31 December 2009 were approximately HK$6,239,000 in total (2008: HK$2,371,000). The Group decides the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.

Capital Structure

As at 31 December 2009, the Company's issued ordinary share capital was HK$9,125,997 divided into 912,599,690 shares of HK$0.01 each (31 December 2008: HK$7,725,997 divided into 77,259,969 shares of HK$0.10 each). The issued convertible preference share capital was HK$17,391,304 divided into 173,913,043 shares of HK$0.10 each (31 December 2008: HK$17,391,304 divided into 173,913,043 shares of HK$0.10 each) and none of the convertible preference shares were converted into ordinary shares during the year ended 31 December 2009.

With effect from 13 October 2009, pursuant to an ordinary resolution passed by the shareholders of the Company on 12 October 2009, each of the issued and unissued shares of HK$0.10 each in the share capital of the Company were subdivided into 10 shares of HK$0.01 each. The conversion price of the convertible preference share was then adjusted from HK$0.115 to HK$0.0115.

On 9 November 2009, the Company issued and allotted 140,000,000 new shares at the placing price of HK$0.07 per share pursuant to the Placing (as defined in the section headed "Fund Raising Activities" below).

Fund Raising Activities

On 12 December 2008, the Company entered into a placing agreement (as amended by a supplemental agreement dated 27 February 2009) with a placing agent to place 15,450,000 ordinary shares at the placing price of HK$0.53 each (the "Placing Agreement"). On 15 May 2009, the Company announced that the Placing Agreement lapsed.

On 29 May 2009, the Company entered into another placing agreement with a placing agent in relation to a placement of 14,000,000 ordinary shares of HK$0.10 each to independent investors under general mandate of the Company at the placing price of HK$0.70 per share (the "Placing"). The Placing was completed on 9 November 2009.

Significant Investments

As at 31 December 2009, the Group did not have any significant investments in properties, listed securities and financial instruments (2008: Nil).

Material Acquisitions and Disposals of Subsidiaries

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries during the year ended 31 December 2009.

Charges on Group's Assets

As at 31 December 2009, the Group did not have any charges on its assets (2008: Nil).

Contingent Liabilities

As at 31 December 2009, the Group did not have any significant contingent liabilities (2008: Nil).

Capital Commitments

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

Exposure to Fluctuation in Exchange Rates

The Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

OUTLOOK AND PROSPECTS

The continued improvement in market sentiment during the second half of 2009 has significantly changed the overall trend and development in major capital markets around the Greater China Region. The Group intends to set itself to benefit off the back of such market upturn by enhancing internal operation efficiency and resource allocation and to prepare itself for any investment opportunities that may emerge in the near future.

With the acquisition of 49% equity interest in FDC, the Group intends to explore business opportunities in the agricultural and farming business in the PRC. FDC has entered into a framework agreement and memorandum of understanding for proposed investments in livestock farming, construction and operation of abattoirs, processing workhouses as well as cold storage facilities in the PRC. Despite the Company's cautious optimism with this new branch of investment, it will nonetheless take a prudent approach towards the new development and, as such, has formed a specific business development team for the purposes of evaluating the business model and the risk factors of this business from the outset so as to monitor the development of the projects.

In recent years, mining safety has become a prime concern of the government of the PRC, which has imposed stricter supervision and tougher penalties to restrain illegal operations. Many small mines have been closed down or merged with larger mines. The Group believes that this is a positive development and intends to explore the business opportunities in the coal business in the PRC.

Reference was made to the Company's announcement dated 12 January 2010, on 12 January 2010, Golden Jack Development Limited ("Golden Jack"), a wholly-owned subsidiary of the Company, entered into a MOU with CCGH Limited ("CCGH") to invest in CCGH and its related companies through acquisition of existing shares or subscription of new shares. CCGH is principally engaged in investment holding and proposes to invest in a PRC entity which is principally engaged in coal mining and coal distribution in the PRC (including but not limited to Guizhou, Shanxi, Xinjiang, Inner Mongolia), with its main clients situated in Guizhou. As at the date of this report, the Earnest Deposit of HK$8,000,000 has not yet been paid.

As coal is the largest single power generating fuel in the United States, the demand for clean coal continues to escalate as the coal-fired power generation industry strives to meet the ever tightening regulatory standards for emissions.

On 8 February 2010, Golden Jack and C.C.I (N.A.) LTD ("CCI") entered into a MOU pursuant to which Golden Jack is desirous of exploring the possibility of investing in CCI including, but not limited to, the purchase of existing shares, subscription of equity or related derivative instrument in CCI. CCI is in negotiation with various parties which are engaged in reclaiming waste coal, reprocessing waste coal into clean coal and distribution of the clean coal in the United States.

The Group will keep on exploring good business opportunities for expanding our existing business and identifying valuable investment opportunities in the future.

The Directors of the Company are pleased to present the annual report and audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 24.

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

ANNUAL GENERAL MEETING

The 2010 AGM will be held on Friday, 7 May 2010. Shareholders should refer to details regarding the 2010 AGM in the circular of the Company of 24 March 2010 and the notice of meeting and form of proxy accompanying thereto.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 5 May 2010 to Friday, 7 May 2010, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4 May 2010.

CHANGE OF COMPANY NAME

With effect from 13 October 2009, the name of the Company was changed from Linefan Technology Holdings Limited 藍帆科技控股有限公司 (which was adopted for identification purpose only) to China Eco-Farming Limited and the Company adopted the Chinese name 中國農業生態有限公司 as part of its legal name.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on pages 78 to 79 in the annual report.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the only three largest customers account for approximately 50% (2008: 70%) and 100% (five largest in 2008: 100%) of the Group's turnover respectively, and the largest and the only three largest suppliers account for approximately 75% (2008: 81%) and 100% (five largest in 2008: 96%) of the Group's cost of sales respectively for the year ended 31 December 2009. At no time during the year, none of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the customers or suppliers disclosed above.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Details of the redeemable convertible preference shares issued by the Company during the year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

DISTRIBUTABLE RESERVES

As at the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to shareholders of the Company.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 January 2002, pursuant to which the Board may, at its discretion, grant options to Directors and other eligible persons (as defined in the Scheme) to enable them to subscribe for shares of the Company as incentives and/or rewards for their contribution to the success of the Group. Particulars of the Scheme are set out in note 33 to the consolidated financial statements.

There was no outstanding share option under the Scheme as at 31 December 2009.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year are:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
Mr. Chu Yu Man, Philip

Non-executive Director

Mr. Tang Shun Lam *(Chairman)* (resigned on 13 August 2009)

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Chow Pui Mau, William (resigned on 8 May 2009)

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Each of the executive Directors has entered into a service agreement dated 6 October 2008 with the Company for an initial fixed term of two years commencing from 30 September 2008 and will continue thereafter until terminated by not less than six months' notice in writing served by either party to the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board of Directors as its absolute discretion having regard to the operation result of the Company.

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.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Yeung Chi Tat, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

No Director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the year ended 31 December 2009.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in notes 12 and 13 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

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 and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the directors were as follows:

(a) Directors' Long Positions in the shares of the Company

There was no Directors' long position as at 31 December 2009.

(b) Directors' Short Positions in the shares of the Company

There was no Directors' short position as at 31 December 2009.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, so far as was known to the directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Class of shares	Number of shares and underlying shares	Approximate percentage of holding
Top Status International Limited ("Top Status") (Note 1)	Beneficial owner	Ordinary shares	537,276,000	58.87% (Note 2)
	Beneficial owner	Convertible preference shares ("CP Shares")	1,739,130,430 (Note 3)	190.57%

Notes:

1. Top Status, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned and beneficially owned by China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM.

2. As at 31 December 2009, the Company's issued ordinary share capital is HK$9,125,997 and the number of its issued ordinary shares is 912,599,690 shares.

3. As at 31 December 2009, Top Status beneficially held 173,913,043 CP Shares. This represents the number of underlying shares that may be allotted and issued to Top Status upon conversion of the CP Shares in full at the conversion price of HK$0.0115.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 December 2009, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be 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 of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2009, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2009 are set out in note 35 to the consolidated financial statements.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year and up to the date of this report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there is no restriction against such under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to market competitiveness, individual performance and achievement.

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 33 to the consolidated financial statements.

LITIGATION

On 11 August 2009, the Company received a writ of summons against the Company by Mr. Dai Fan ("Mr. Dai"), an ex-director of the Company, and Ms. Lu Wenbin ("Ms. Lu") in respect of alleged loan payments totaling HK$3,000,000 by Mr. Dai and Ms. Lu to the Company (the "Claim"). Subsequently, the Company reached an amicable settlement with Mr. Dai and Ms. Lu. On 5 February 2010, the High Court of Hong Kong granted an order discontinuing the proceedings with respect to the Claim against the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained a sufficient public float throughout the year ended 31 December 2009 as required under the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

(a) On 12 January 2010, Golden Jack Development Limited ("Golden Jack"), a wholly owned subsidiary of the Company, entered into a memorandum of understanding (the "Memorandum") with CCGH Limited ("CCGH"), an independent third party, to which Golden Jack proposed to invest in CCGH and its related companies through acquisition of existing shares or subscription of new shares. Pursuant to the Memorandum, a refundable deposit in the amount of HK$8,000,000 will be made by Golden Jack to CCGH without any interest or collateral within five business days after the execution of the Memorandum pending Golden Jack's satisfaction with the relevant legal documents to be provided by CCGH in relation to the coal related business development of CCGH.

As no relevant legal documents was provided by CCGH within the required time, the Company did not have to pay the deposit of HK$8,000,000 as mentioned above.

Details of which are set out in the Company's announcement dated 12 January 2010.

(b) On 8 February 2010, Golden Jack, a wholly owned subsidiary of the Company, entered into a memorandum of understanding with C.C.I. (N.A.) LTD ("CCI"), an independent third party, to which Golden Jack is desirous of exploring the possibility of investing in CCI including, but not limited to, purchase of existing shares, subscription of equity or related derivative instrument in CCI.

Details of which are set out in the Company's announcement dated 8 February 2010.

(c) On 11 August 2009, the Company received a writ of summons against the Company by Mr. Dai Fan ("Mr. Dai") and Ms. Lu Wen Bin ("Ms. Lu") in respect of alleged loan payments totaling HK$3,000,000 by Mr. Dai and Ms. Lu to the Company (the "Claim"). The Company has filed a defence and counterclaim against Mr. Dai and Ms. Lu in respect of the Claim on 16 October 2009.

Having reached an amicable settlement with Mr. Dai and Ms. Lu in respect of the payments, on 5 February 2010, the High Court of Hong Kong granted an order discontinuing the proceedings with respect to the claim against the Company. Mr. Dai and Ms. Lu accepted HK$2,700,000 as final settlement.

Details of which are set out in the Company's announcements dated 12 August 2009, 20 October 2009 and 8 February 2010.

(d) On 29 December 2008, China Railway Logistics Limited ("CRLL") announced that it had entered into a placing agreement on 15 December 2008 and a supplemental placing agreement on 22 December 2008, pursuant to which the placing agent has agreed to act as placing agent for the purpose of a private sale of 150,000,000 CP Shares at a price of HK$0.53 per CP Share on a best effort basis to potential subscribers. On 15 December 2009, CRLL announced that it had signed a further extension letter to extend the date for fulfillment of all conditions precedents of the placing to 15 January 2010.

The transaction was completed on 29 January 2010.

(e) Subsequent to the end of the reporting period, CP Shares of principal amount of HK$17,250,000 was converted into 1,500,000,000 ordinary shares of the Company at the conversion prices of HK$0.0115 per share. The shareholding of CRLL in the Company was diluted from 58.87% to 22.27%.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 31 July 2001 with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors namely, Mr. Yeung Chi Tat (Chairman), Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.

The audited financial results of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee.

AUDITORS

Shu Lun Pan Horwath Hong Kong CPA Limited was auditor of the Company and resigned as auditor of the Company on 8 December 2008.

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditor of the Company on 18 December 2008 and the consolidated financial statements for the year ended 31 December 2009 was audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
Tsang Chi Hin
Chief Executive Officer and Executive Director

Hong Kong, 12 March 2010

Corporate Governance Report

INTRODUCTION

The Board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders of the Company.

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the following deviation:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Tang Shun Lam resigned as Chairman and Executive Director of the Company with effect from 13 August 2009. Subsequent to the resignation of Mr. Tang Shun Lam, no replacement of the post of Chairman has been fixed as at 31 December 2009.

The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the posts as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in such code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board currently comprises five Directors, of whom two are executive Directors and three are independent non-executive Directors.

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

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
Mr. Chu Yu Man, Philip

Non-executive Director

Mr. Tang Shun Lam *(Chairman)* (resigned on 13 August 2009)

Independent Non-executive Directors

Mr. Yeung Chi Tat
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung
Mr. Chow Pui Mau, William (resigned on 8 May 2009)

The directors' biographical information are set out on pages 3 to 5 of this Annual Report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board of Directors.

The Company had appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each independent non-executive Director has signed an appointment letter with the Company for an initial fixed term of two years, unless terminated by not less than three months prior notice in writing served by either party to the other or in accordance with the provisions set out in the respective appointment letter.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by Rule 5.09 of the GEM Listing Rules.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and overseeing the management. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

BOARD MEETINGS AND BOARD PRACTICES

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

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

		Number of Attendance
Executive Directors		
Mr. Tsang Chi Hin *(Chief Executive Officer)*		14/14
Mr. Chu Yu Man, Philip		14/14
Non-executive Director		
Mr. Tang Shun Lam *(Chairman)*	(resigned on 13 August 2009)	5/9
Independent Non-executive Directors		
Mr. Yeung Chi Tat		13/14
Mr. Cheung Tak Shum		13/14
Mr. Lau Tin Cheung		13/14
Mr. Chow Pui Mau, William	(resigned on 8 May 2009)	3/3

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions and roles of Chairman of the Board and Chief Executive Officer of the Company are held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Mr. Tang Shun Lam, was in-charge of the leadership of the Board and strategies planning of the Group. The Chief Executive Officer, being Mr. Tsang Chi Hin, is responsible for the day-to-day management of the Group's business.

The Company has complied with the code provision A.2.1 to A.2.3 of the Code throughout the year under review except for the period from 13 August 2009 to 31 December 2009. Following the resignation of Mr. Tang Shun Lam as Chairman of the Board and non-executive Director from 13 August 2009, no replacement for the post of Chairman has been fixed as at 31 December 2009.

The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the posts as appropriate.

REMUNERATION OF DIRECTORS

The remuneration committee had been formed in 2005 pursuant to a resolution passed by Board of the Company. Following the re-domicile of the Company from Cayman Islands into Bermuda in October 2007, it was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this annual report, the remuneration committee comprises three members, of which majority are independent non-executive Directors, namely Mr. Cheung Tak Shum, Mr. Yeung Chi Tat and Mr. Lau Tin Cheung. Mr. Cheung Tak Shum is the chairman of the remuneration committee.

The role and function of the remuneration committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

Frequency of Meetings and Attendance

The remuneration committee has convened three meetings during the year ended 31 December 2009 to review the existing remuneration packages of each of the Directors and senior management of the Company and to discuss the terms of the service contract and the letter of appointment for the existing Directors. Details of the attendance of these meetings are as follows:

Name of member		Number of attendance
Mr. Cheung Tak Shum *(Chairman)*		3/3
Mr. Yeung Chi Tat		3/3
Mr. Lau Tin Cheung		3/3
Mr. Tang Shun Lam	(resigned on 13 August 2009)	1/3

NOMINATION OF DIRECTORS

The nomination committee had been formed in 2005 pursuant to a resolution passed by the Board of the Company. Following the re-domicile of the Company from the Cayman Islands into Bermuda in October 2007, the nomination committee was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this annual report, the nomination committee comprises four members, of which majority are independent non-executive Directors, namely Mr. Tsang Chi Hin, Mr. Yeung Chi Tat, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung. Mr. Tsang Chi Hin is the chairman of the nomination committee.

The functions of the nomination committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Where vacancies on the Board exist, the nomination committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

Frequency of Meetings and Attendance

The nomination committee has convened one meetings during the year ended 31 December 2009 and details of the attendance of these meetings are as follows:

Name of member	Number of attendance
Mr. Tsang Chi Hin *(Chairman)*	1/1
Mr. Yeung Chi Tat	1/1
Mr. Cheung Tak Shum	1/1
Mr. Lau Tin Cheung	1/1

AUDIT COMMITTEE

The Company established an audit committee on 31 July 2001. It has written terms of reference in compliance with the code provisions of the Code. The audit committee currently comprises Mr. Yeung Chi Tat, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung who are the independent non-executive Directors. The chairman of the audit committee is Mr. Yeung Chi Tat.

The chief responsibilities of the audit committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the quarterly, interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The audit committee had during the year performed such functions and reviewed the unaudited quarterly and interim results and annual audited results during the year ended 31 December 2009.

Name of member		Number of attendance
Mr. Yeung Chi Tat *(Chairman)*		4/4
Mr. Cheung Tak Shum		4/4
Mr. Lau Tin Cheung		4/4
Mr. Tang Shun Lam	(resigned on 13 August 2009)	2/3
Mr. Chow Pui Mau, William	(resigned on 8 May 2009)	2/2

AUDITORS' REMUNERATION

An amount of approximately HK$300,000 (2008: HK$274,000) was charged to the Group's income statement for the year ended 31 December 2009. There was no significant non-audit service assignment undertaken by the auditor during the year.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board of Directors acknowledges its responsibility to prepare the Company's account for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2009, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditor of the Company acknowledge their responsibilities in the independent auditor's report on the financial statements of the Group for the year ended 31 December 2009.

INTERNAL CONTROL

The Board and audit committee have conducted a review of the effectiveness of the Group's internal control system by appointing a professional company on their behalf. The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board considered that the internal control system of the Group is effective and the audit committee have found no material deficiencies on the internal control system.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF CHINA ECO-FARMING LIMITED

(FORMERLY KNOWN AS LINEFAN TECHNOLOGY HOLDINGS LIMITED)
(Incorporated in the Cayman Islands and continued into Bermuda with limited liability)

We have audited the consolidated financial statements of China Eco-Farming Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 77, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S 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, in accordance with Section 90 of the Bermuda Companies Act 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 auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

Independent Auditor's Report

OPINION

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong
12 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Continuing operations			
Revenue	6	**35,844**	7,900
Cost of sales		**(34,940)**	(7,400)
Gross profit		**904**	500
Other revenue	6	**3**	102
Administrative expenses		**(11,379)**	(3,634)
Finance costs	8	**(2,083)**	(1,505)
Loss before taxation		**(12,555)**	(4,537)
Taxation	9	**–**	(83)
Loss for the year from continuing operations		**(12,555)**	(4,620)
Discontinued operations			
Profit (loss) for the year from discontinued operations	10	**3,717**	(15,401)
Loss for the year	11	**(8,838)**	(20,021)
Loss for the year attributable to:			
Owners of the Company		**(8,838)**	(20,021)
Non-controlling interests		**–**	–
		(8,838)	(20,021)
Loss per share	15		
From continuing and discontinued operations			
Basic (HK cents)		**(1.1)**	(2.6)
From continuing operations			
Basic (HK cents)		**(1.6)**	(0.6)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	**(8,838)**	(20,021)
Exchange differences arising on translation of foreign operations, representing other comprehensive income for the year	**–**	500
Total comprehensive loss for the year	**(8,838)**	(19,521)
Total comprehensive loss attributable to:		
Owners of the Company	**(8,838)**	(19,521)
Non-controlling interests	**–**	–
	(8,838)	(19,521)

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Plant and equipment	16	**1,123**	1,251
Intangible assets	17	**–**	–
Goodwill	18	**–**	–
Investment in an associate	19	**1**	–
Available-for-sale investment	20	**–**	–
		1,124	1,251
Current assets			
Trade and other receivables, deposits and prepayments	21	**3,335**	8,511
Bank balances and cash	22	**23,985**	11,457
		27,320	19,968
Current liabilities			
Trade and other payables and accruals	23	**859**	3,138
Amount due to ultimate holding company	24	**–**	600
Amount due to a fellow subsidiary	24	**51**	–
Unsecured loans	25	**3,000**	3,000
		3,910	6,738
Net current assets		**23,410**	13,230
Total assets less current liabilities		**24,534**	14,481
Non-current liabilities			
Loan from a fellow subsidiary	26	**12,000**	–
Convertible preference shares	28	**16,549**	15,550
		28,549	15,550
		(4,015)	(1,069)
Capital and reserves			
Share capital	27	**9,126**	7,726
Reserves		**(13,141)**	(8,795)
Equity attributable to owners of the Company		**(4,015)**	(1,069)
Non-controlling interests		**–**	–
		(4,015)	(1,069)

The consolidated financial statements on pages 24 to 77 were approved and authorised for issue by the board of directors on 12 March 2010 and are signed by:

Chu Yu Man, Philip	**Tsang Chi Hin**
(Director)	*(Director)*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 27)	Share premium HK$'000	Capital reserve* HK$'000	Equity component of convertible preference shares HK$'000 (Note 28)	Special reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests** HK$'000	Total HK$'000
At 1 January 2008	7,726	–	3,970	4,121	6,026	3,029	3,164	(9,584)	18,452	–	18,452
Loss for the year	–	–	–	–	–	–	–	(20,021)	(20,021)	–	(20,021)
Other comprehensive income for the year	–	–	–	–	–	–	500	–	500	–	500
Total comprehensive loss for the year	–	–	–	–	–	–	500	(20,021)	(19,521)	–	(19,521)
At 31 December 2008	7,726	–	3,970	4,121	6,026	3,029	3,664	(29,605)	(1,069)	–	(1,069)
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	–	–	–	(8,838)	(8,838)	–	(8,838)
Placing of new shares (Note 27)	1,400	8,400	–	–	–	–	–	–	9,800	–	9,800
Transaction costs attributable to placing of new shares	–	(244)	–	–	–	–	–	–	(244)	–	(244)
Transfer upon disposal of subsidiaries	–	–	(3,970)	–	–	(3,029)	(3,664)	6,999	(3,664)	–	(3,664)
At 31 December 2009	**9,126**	**8,156**	**–**	**4,121**	**6,026**	**–**	**–**	**(31,444)**	**(4,015)**	**–**	**(4,015)**

* *The capital reserve represents the Group's share of the contributions made by the minority shareholders to certain subsidiaries of the Group in the People's Republic of China ("PRC").*

** *The share of losses by non-controlling interests of the Group already up to their investments cost as at 31 December 2009 and 31 December 2008.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation:			
Continuing operations		(12,555)	(4,537)
Discontinued operations		3,717	(15,401)
		(8,838)	(19,938)
Adjustments for:			
Depreciation for plant and equipment		1,017	2,398
Gain on disposal of subsidiaries		(4,812)	–
Interest income		(3)	(102)
Finance costs		2,083	1,505
Impairment loss recognised in respect of goodwill on subsidiaries		–	9,827
Impairment loss recognised in respect of available-for-sale investment		–	2,784
Bad and doubtful debts directly written off		–	212
Operating cash flows before movements in working capital		(10,553)	(3,314)
Decrease (increase) in trade and other receivables, deposits and prepayments		3,805	(7,660)
Increase in trade and other payables and accruals		45	79
NET CASH USED IN OPERATING ACTIVITIES		(6,703)	(10,895)
INVESTING ACTIVITIES			
Purchases of plant and equipment		(904)	(452)
Investment in an associate		(1)	–
Net cash inflow from disposal of subsidiaries	31	210	–
Interest received		3	102
NET CASH USED IN INVESTING ACTIVITIES		(692)	(350)
FINANCING ACTIVITIES			
Loan from a fellow subsidiary		12,000	–
Proceeds from issue of new shares		9,800	–
Repayment to ultimate holding company		(1,200)	–
Interest paid		(433)	–
Expenses on issue of new shares		(244)	–
Repayment of unsecured loans		–	(1,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		19,923	(1,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12,528	(12,245)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		11,457	23,695
Effect of foreign exchange rates changes		–	7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		23,985	11,457

1. GENERAL

China Eco-Farming Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of the Cayman Islands on 30 November 2000.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited since 5 February 2002. In the opinion of the directors, its ultimate holding company is China Railway Logistics Limited ("CRLL") (incorporated in the Bermuda) which is listed on the GEM of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

CRLL ceased to be the ultimate holding company of the Company subsequent to the reporting period on 29 January 2010 upon the completion of the conversion of convertible preference shares, as detailed in Notes 38(d) and 38(e).

In the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The Company and its subsidiaries (collectively referred to as the "Group") were engaged in the business of sales, development and implementation of non-structural knowledge integration systems, knowledge management ("KM") related network application systems and technology, provision of voice search engine portal and one-stop value chain services in 2008. In 2009, the Group is only engaged in one-stop value chain services upon the disposal of certain subsidiaries.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$.

As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in HK$.

2. BASIS OF PREPARATION

At 31 December 2009, the Group had net liabilities and capital deficiency of approximately HK$4,015,000. The Group had incurred loss of approximately HK$8,838,000 for the year ended 31 December 2009. Nevertheless, these consolidated financial statements of the Group have been prepared on a going concern basis.

In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the following:

(i) The Group will maintain positive cash position from its businesses; and

(ii) Subsequent to the end of the reporting period, convertible preference shares of aggregate principal amount of HK$17,250,000 were converted into 1,500,000,000 ordinary shares of the Company at the conversion price of HK$0.0115 per share. The net liabilities of the Group will be reduced by approximately HK$14,000,000 accordingly.

The directors consider that the Group will have sufficient working capital to finance its operations for the next twelve months from 31 December 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

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

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 in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

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

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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 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 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 of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis on consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

An associate in an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

(i) Financial assets

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets

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

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets ***(continued)***

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and accruals, amount due to ultimate holding company, amount due to a fellow subsidiary, unsecured loans and loan from a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

Convertible preference shares

Convertible preference shares 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 classified as an equity instrument.

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

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

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

Equity instruments

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

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Taxation

Taxation 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 substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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 (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Retirement benefits scheme contributions

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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 accumulated losses.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

When 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 as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the entity's accounting policies

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

Impairment of available-for-sale investment

For available-for-sale investment, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the Group had taken into consideration of the available financial information of the investee entity.

(b) Key sources of estimation uncertainty

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

Going concern consideration

The assessment of the going concern assumptions involve making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in Note 2.

Allowance for doubtful debts

Allowance for doubtful debts is made based on assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade receivables and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

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

(b) Key sources of estimation uncertainty (continued)

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 the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2008, an impairment loss of approximately HK$9,827,000 (2009: Nil) has been recognised in the consolidated income statement.

6. REVENUE AND OTHER REVENUE

An analysis of the Group's revenue and other revenue for the year from continuing operations is as follows:

	2009	2008
	HK$'000	HK$'000
Revenue:		
One-stop value chain services	**35,844**	7,900
Other revenue:		
Interest income	**3**	102
	35,847	8,002

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose 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, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application 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. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

7. SEGMENT INFORMATION (continued)

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker, being the chief executive officer, for making strategic decisions. The segments are managed separately as each business offers different products which vary in materials used, design and technology and services which require different production/service information to formulate different marketing strategies. The following summary describes the operations in each of the Group's reportable segments under HKFRS 8:

Voice portal segment	–	provision of voice search engine portal
One-stop value chain services	–	provision of total solution services including trading, packaging and logistic solutions
KM systems	–	sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology

On 9 December 2009, the Group completed the disposal of Chineseroad Incorporated and its subsidiaries, which were engaged in the provision of voice search engine portal and the sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology as set out in Note 31. Hence, these two operating divisions are presented as discontinued operations. Details of the discontinued operations are set out in Note 10.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment from continuing operations:

	One-stop value chain services	
	2009	2008
	HK$'000	HK$'000
REVENUE		
External sales	**35,844**	7,900
Segment loss	**(5,364)**	(149)
Unallocated corporate revenue	**3**	102
Unallocated corporate expenses	**(7,194)**	(4,490)
Loss before taxation (continuing operations)	**(12,555)**	(4,537)

The accounting policies of the reportable segment are the same as the Group's accounting policies described in Note 4. Segment loss represents the loss attributable to each segment without allocation of central administration costs, directors' emoluments, interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2009 HK$'000	2008 HK$'000
Segment assets		
Continuing operations:		
One-stop value chain services, representing total segment assets	4,369	6,883
Assets relating to discontinued operations	–	2,606
Unallocated	24,075	11,730
Consolidated assets	28,444	21,219
Segment liabilities		
Continuing operations:		
One-stop value chain services, representing total segment liabilities	259	204
Liabilities relating to discontinued operations	–	2,477
Unallocated	32,200	19,607
Consolidated liabilities	32,459	22,288

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

- all assets are allocated to reportable segments other than investment in an associate, bank balances and cash and prepayments of the Company; and
- all liabilities are allocated to reportable segments other than amount due to ultimate holding company, amount due to a fellow subsidiary, unsecured loans, loan from a fellow subsidiary, liability component of convertible preference shares and other payables of the Company.

7. SEGMENT INFORMATION (continued)

Other segment information

	Continuing operations		Discontinued operations					
	One-stop value chain services		Voice portal		KM systems		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions to plant and equipment	**904**	452	**–**	–	**–**	–	**904**	452
Depreciation for plant and equipment	**216**	14	**–**	155	**801**	2,229	**1,017**	2,398
Bad and doubtful debts directly written off	**–**	–	**–**	212	**–**	–	**–**	212
Impairment loss recognised in respect of goodwill on subsidiaries	**–**	–	**–**	9,827	**–**	–	**–**	9,827
Impairment loss recognised in respect of available-for-sale investment	**–**	–	**–**	2,784	**–**	–	**–**	2,784

Revenue from major product and services

All of the Group's revenue from continuing operations is derived from one-stop value chain services.

Geographical information

The Group's operations are located in Hong Kong and the PRC. All the revenue from external customers and non-current assets in the PRC are relating to discontinued operations.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**35,844**	7,900	**1,124**	435

7. SEGMENT INFORMATION (continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 HK$'000	2008 HK$'000
Gamex Group Limited[1]	**17,632**	7,600
Gold Alliance Investments Limited[1]	**17,351**	N/A[3]
Hange East Group Limited[2]	**N/A**[3]	2,039

1 *Revenue from one-stop value chain services*
2 *Revenue from provision of voice search engine portal*
3 *The corresponding revenue does not contribute over 10% of the total sales of the Group in the respective year*

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Continuing operations		
Effective interest expense on convertible preference shares (Note 28)	**1,599**	1,505
Interest on loan from a fellow subsidiary (Note 26)	**484**	–
	2,083	1,505

9. TAXATION

The Group's operations are carried out in both Hong Kong and the PRC. The official applicable PRC tax rate for the year ended 31 December 2009 is 25% (2008: 25%). However, certain subsidiaries in the Group are "Encourage Hi-Tech Enterprise" and entitled to a reduced corporate income tax rate of 15% from 1 January 2008. As the PRC subsidiaries of the Group were loss-making for the two years ended 31 December 2009, no provision for PRC income tax was made.

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 December 2008. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 as the Group does not have any assessable profit subject to Hong Kong Profits Tax for the year.

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

	2009 HK$'000	2008 HK$'000
Loss before taxation (from continuing operations)	**(12,555)**	(4,537)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**(2,071)**	(749)
Tax effect of expenses not deductible for tax purpose	**304**	667
Tax effect of income not taxable for tax purpose	**(1)**	(16)
Utilisation of tax losses previously not recognised	**(16)**	–
Tax effect of other temporary differences not recognised	**76**	55
Tax effect of tax losses not recognised	**1,708**	126
Tax charge for the year (relating to continuing operations)	**–**	83

Note: The domestic tax rate of 16.5% in the jurisdiction where the entities in continuing operations is based is used for both years.

At the end of the reporting period, the Group has unused tax losses of approximately HK$11,023,000 (2008: HK$764,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

The Group also has deductible temporary differences of approximately HK$793,000 (2008: HK$333,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

10. DISCONTINUED OPERATIONS

On 29 September 2009, the Group entered into a conditional sale and purchase agreement to dispose of its entire equity interest in Chineseroad Incorporated ("Chineseroad") and its subsidiaries ("Chineseroad Group") and the loan owing to the Company to Skycomm International Limited ("Skycomm"), an independent third party, at a consideration of HK$300,000. Chineseroad Group are principally engaged in the provision of voice search engine portal services as well as sale, development and implementation of non-structural knowledge integration systems and KM related network application system and technology. The disposal was effected in order to realise its investment in Chineseroad Group and concentrate on the development of the current one-stop value chain services and/or release resources for development of other business opportunities. The disposal was completed on 9 December 2009, on which date control of Chineseroad Group passed to Skycomm.

The profit (loss) for the year from the discontinued operations is analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Loss of provision of voice search engine portal services	**(405)**	(13,191)
Loss of knowledge management systems business	**(690)**	(2,210)
	(1,095)	(15,401)
Gain on disposal of provision of voice search engine portal services and knowledge management systems business (Note 31)	**4,812**	–
	3,717	(15,401)

10. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations for the period from January 2009 to December 2009, which have been included in the consolidated income statement, were as follows:

	Period ended 2009 HK$'000	Year ended 2008 HK$'000
Revenue	–	2,932
Cost of sales	–	(1,496)
Gross profit	–	1,436
Other revenue	–	208
Distribution costs	–	(6)
Administrative expenses	**(1,095)**	(4,428)
Impairment loss recognised in respect of goodwill on subsidiaries (Note 18)	–	(9,827)
Impairment loss recognised in respect of available-for-sale investment (Note 20)	–	(2,784)
Loss before taxation	**(1,095)**	(15,401)
Taxation	–	–
Loss for the period / year from discontinued operations	**(1,095)**	(15,401)
Loss for the period / year from discontinued operations include the following:		
Other staff costs	**106**	1,067
Retirement benefits scheme contributions	**36**	105
Bad and doubtful debts directly written off	–	212
Depreciation for plant and equipment	**801**	2,384

No charge or credit arose on loss on discontinuance of the operations.

The cash flows attributable to the discontinued operations are as follows:

	2009 HK$'000	2008 HK$'000
Net cash used in operating activities	**(90)**	(1,538)
Net cash from investing activities	–	1
Net cash outflow	**(90)**	(1,537)

The carrying amounts of the assets and liabilities of Chineseroad Group at the date of disposal are disclosed in Note 31.

11. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging:		
Continuing operations		
Directors' emoluments (Note 12)	2,968	854
Other staff costs (excluding directors' emoluments)	3,188	437
Retirement benefits scheme contributions (excluding directors)	83	13
	6,239	1,304
Auditors' remuneration	300	274
Depreciation for plant and equipment	216	14

12. DIRECTORS' EMOLUMENTS

The emoluments of the directors during the year are analysed as follows:

	2009			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chu Yu Man, Philip	–	884	12	896
Tsang Chi Hin	–	1,066	12	1,078
Non-executive director:				
Tang Shun Lam (Resigned on 13 August 2009)	258	–	–	258
Independent non-executive directors:				
Cheung Tak Shum	240	–	–	240
Yeung Chi Tat	264	–	–	264
Lau Tin Cheung	181	–	–	181
Chow Pui Mau, William (Resigned on 8 May 2009)	51	–	–	51
Total	994	1,950	24	2,968

12. DIRECTORS' EMOLUMENTS (continued)

	2008			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chu Yu Man, Philip (Appointed on 30 September 2008)	–	224	3	227
Tsang Chi Hin (Appointed on 30 September 2008)	–	270	3	273
Dai Fan (Resigned on 30 September 2008)	–	–	–	–
Wang Yong (Resigned on 30 September 2008)	–	–	–	–
Zhu Guang Bo (Resigned on 30 September 2008)	–	–	–	–
Non-executive director:				
Tang Shun Lam (Appointed on 30 September 2008)	106	–	–	106
Independent non-executive directors:				
Cheung Tak Shum (Appointed on 30 September 2008)	61	–	–	61
Yeung Chi Tat (Appointed on 30 September 2008)	67	–	–	67
Chow Pui Mau, William (Appointed on 24 October 2008)	27	–	–	27
Lau Tin Cheung (Appointed on 30 December 2008)	–	–	–	–
Zhang Gong (Resigned on 30 September 2008)	31	–	–	31
Chan Yat Tung, Peter (Resigned on 30 September 2008)	31	–	–	31
Feng Jue Min (Resigned on 30 September 2008)	31	–	–	31
Total	354	494	6	854

No director waived any emoluments for both years.

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

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2008: two) were directors of the Company whose emoluments are included in the disclosure in Note 12 above. The emoluments of the remaining three (2008: three) individuals were as follows:–

	2009 HK$'000	2008 HK$'000
Basic salaries and allowances	1,302	907
Retirement benefits scheme contributions	19	27
	1,321	934

The emoluments of each of the above employees were less than HK$1,000,000 during each of the two years ended 31 December 2009 and 2008.

During the years, no emoluments were paid by the Group to highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

No dividend was paid or proposed during 2009, nor any dividend been has proposed since the end of the reporting period (2008: Nil).

15. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss		
Loss for the year attributable to owners of the Company	(8,838)	(20,021)

	2009	2008 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	792,928,457	772,599,690

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the subdivision of shares on 13 October 2009 as detailed in Note 27.

15. LOSS PER SHARE (continued)

From continuing operations

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

Loss figures are calculated as follows:

	2009 **HK$'000**	2008 HK$'000
Loss for the year attributable to owners of the Company	**(8,838)**	(20,021)
Less: (profit) loss for the year from discontinued operations	**(3,717)**	15,401
Loss for the purpose of basic loss per share from continuing operations	**(12,555)**	(4,620)

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

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.5 cents per share (2008: HK2.0 cents loss per share), based on the profit for the year from the discontinued operations of approximately HK$3,717,000 (2008: Loss of HK$15,401,000) and the denominators detailed above for basic loss per share.

No diluted loss per share for the two years ended 31 December 2009 and 2008 has been presented as the conversion of the Company's convertible preference shares would result in an anti-dilutive effect.

16. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer, network and related equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST						
At 1 January 2008	134	–	807	18,112	407	19,460
Exchange adjustments	7	–	39	1,082	24	1,152
Additions	–	–	18	84	350	452
Written off	–	–	–	(161)	–	(161)
At 31 December 2008	141	–	864	19,117	781	20,903
Additions	45	598	73	186	2	904
Disposal of subsidiaries (Note 31)	(127)	–	(841)	(19,054)	(431)	(20,453)
At 31 December 2009	**59**	**598**	**96**	**249**	**352**	**1,354**
ACCUMULATED DEPRECIATION						
At 1 January 2008	86	–	807	15,080	407	16,380
Exchange adjustments	5	–	24	982	24	1,035
Charge for the year	25	–	6	2,355	12	2,398
Written off	–	–	–	(161)	–	(161)
At 31 December 2008	116	–	837	18,256	443	19,652
Charge for the year	15	80	14	838	70	1,017
Disposal of subsidiaries (Note 31)	(116)	–	(837)	(19,054)	(431)	(20,438)
At 31 December 2009	**15**	**80**	**14**	**40**	**82**	**231**
CARRYING VALUES						
At 31 December 2009	**44**	**518**	**82**	**209**	**270**	**1,123**
At 31 December 2008	25	–	27	861	338	1,251

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

Leasehold improvements	50%
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Computer, network and related equipment	20%
Motor vehicle	20%

17. INTANGIBLE ASSETS

	Computer software HK$'000
COST	
At 1 January 2008 and 31 December 2008	7,804
Disposal of subsidiaries (Note 31)	(7,804)
At 31 December 2009	**–**
AMORTISATION	
At 1 January 2008 and 31 December 2008	7,804
Disposal of subsidiaries (Note 31)	(7,804)
At 31 December 2009	**–**
CARRYING VALUES	
At 31 December 2009	**–**
At 31 December 2008	–

The above intangible assets were disposed of upon the disposal of certain subsidiaries during the year ended 31 December 2009.

18. GOODWILL

	HK$'000
COST	
At 1 January 2008	25,473
Exchange adjustments	285
At 31 December 2008	25,758
Disposal of subsidiaries (Note 31)	(25,758)
At 31 December 2009	**–**
IMPAIRMENT	
At 1 January 2008	15,931
Impairment loss recognised in the year	9,827
At 31 December 2008	25,758
Disposal of subsidiaries (Note 31)	(25,758)
At 31 December 2009	**–**
CARRYING VALUES	
At 31 December 2009	**–**
At 31 December 2008	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill is allocated to the voice portal business segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. During the year ended 31 December 2008, the Group assesses the value of goodwill by reference to a cash-flow projection of the relevant financial budgets approved by management covering a period of three years. The discount rate applied to the cash flow projection is 10.27% and cash flows beyond the three-year period are extrapolated using a zero growth rate.

As at 31 December 2008, the management considered that the carrying value of goodwill was fully impaired and impairment on goodwill of approximately HK$9,827,000 was recognised for the year ended 31 December 2008.

Upon the disposal of certain subsidiaries which were engaged in provision of voice search engine portal, the associated goodwill was disposed accordingly during the year ended 31 December 2009.

19. INVESTMENT IN AN ASSOCIATE

	2009 HK$'000	2008 HK$'000
Cost of unlisted investment in an associate	1	–

At 31 December 2009, the Group had interest in the following associate:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2009	2008	Principal activity
FDC Limited	Limited liability	Samoa	Ordinary shares	49%	–	Inactive

On 25 June 2009, the Group acquired 49 shares of FDC Limited ("FDC") of US$1.00 per share, which represents 49% of the entire issued share capital of FDC, a company incorporated in Samoa with limited liability, at the consideration of US$49.00.

FDC is still inactive as at the end of the reporting period. During the year ended 31 December 2009, it has entered into a framework agreement and memorandum of understanding for proposed investments in livestock farming, construction and operation of abattoirs, processing workhouses as well as cold storage facilities in the PRC.

The directors of the Company expect to develop the potential business opportunities in agricultural and farming business in the PRC through this acquisition.

The summarised financial information in respect of the Group's associate is set out below:

	2009 HK$'000	2008 HK$'000
Current asset, representing net asset	1	–
Group's share of net asset of associate	1	–

No result of the associate is presented for the year ended 31 December 2009 as no income was earned and no expense was incurred. Accordingly, no share of profit or loss of associate for the year is accounted for.

20. AVAILABLE-FOR-SALE INVESTMENT

	2009 **HK$'000**	2008 HK$'000
Unlisted investment – cost		
At 1 January	–	2,666
Exchange adjustments	–	118
Impairment loss recognised	–	(2,784)
At 31 December	–	–

Pursuant to an agreement dated 28 February 2006, the Group agreed with an independent party whereby the independent party assumes full operational control of Ha Er Bin Runke Communication Technology Company Limited ("Runke"), a former subsidiary for a term of three years, in return for a fixed fee payable to the Group. The fee was fixed at RMB200,000 for the first year with an increment of 10% per annum for each of the subsequent two years. In addition, at the date of termination of the agreement, the independent party will receive a compensation calculated at 40% of the trade receivable balance as of that date (the "Old Agreement").

As the Group ceased to have control over Runke commencing from 28 February 2006, the Group accounted for the investment in Runke as an available-for-sale investment and the value of net assets shared by the Group as at 28 February 2006 was deemed as the cost of the investment.

On 27 March 2007, Runke changed its name to Harbin Dingming Shiji Communication and Technology Limited ("Dingming Shiji"). In August 2007, the Old Agreement was terminated. On 20 August 2007, the Group entered into another agreement with another independent party, pursuant to which the independent party assumes full operational control of Dingming Shiji for a term of three years, commencing from 1 September 2007. In return, a fixed fee of RMB140,000 is payable to the Group for the first year with an increment of 10% per annum for each of the subsequent two years. In addition, at the date of termination of the agreement, the independent party will also receive a compensation calculated at 40% of the trade receivable balance as of that termination date on 30 August 2010.

The directors of the Company have reviewed the carrying values of the available-for-sale investment and considered that there was no future expected cash flows from the investment for the foreseeable future. Accordingly, an impairment loss on available-for-sale investment of approximately HK$2,784,000 was recognised during the year ended 31 December 2008.

The available-for-sale investment was disposed of upon the disposal of certain subsidiaries during the year ended 31 December 2009.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade receivables	**3,090**	7,991
Other receivables	**2**	142
Deposits and prepayments	**243**	378
	3,335	8,511

(i) The credit period granted to the Group's trade receivables generally ranges from 90 days to 180 days.

(ii) The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	2009 HK$'000	2008 HK$'000
0 to 90 days	**3,090**	6,904
91 to 180 days	–	350
181 to 365 days	–	737
	3,090	7,991

(iii) As at 31 December 2008, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$737,000 (2009: Nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2009 HK$'000	2008 HK$'000
Less than 1 month past due	–	724
1 to 3 months past due	–	13
Total	–	737

The Group's neither past due nor impaired trade receivables mainly represent sales made to creditworthy customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iv) Allowance in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the allowance is written off against trade receivables balance directly. The movement in the allowance for doubtful debts is as follows:

	2009 **HK$'000**	2008 HK$'000
At 1 January	–	28
Exchange adjustments	–	(1)
Amount written off as uncollectible	–	(27)
At 31 December	–	–

22. BANK BALANCES AND CASH

Bank balances carry interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2009, the Group had bank balances and cash originally denominated in RMB of approximately HK$20,000 (2008: HK$172,000).

23. TRADE AND OTHER PAYABLES AND ACCRUALS

	2009 **HK$'000**	2008 HK$'000
Trade payables	–	1,819
Other payables and accruals	**859**	1,319
	859	3,138

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2009 **HK$'000**	2008 HK$'000
0 to 60 days	–	105
61 to 120 days	–	210
121 to 365 days	–	656
Over 1 year	–	848
	–	1,819

The average credit period on purchases of goods is 60 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY/A FELLOW SUBSIDIARY

At 31 December 2008, the amount due to ultimate holding company was unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2009.

At 31 December 2009, the amount due to a fellow subsidiary represents accrued loan interest payable to its fellow subsidiary for the year ended 31 December 2009. The amount is unsecured, interest-free and repayable on demand.

25. UNSECURED LOANS

	2009 HK$'000	2008 HK$'000
Unsecured loans represent loans from the following parties:–		
Mr. Dai Fan ("Mr. Dai") (Note a)	**2,000**	2,000
Ms. Lu Wen Bin ("Ms. Lu") (Note b)	**1,000**	1,000
	3,000	3,000

The loans from Mr. Dai and Ms. Lu are unsecured, interest-free and repayable on demand.

Notes:

(a) Mr. Dai is an ex-director of the Company and a director of a subsidiary of the Company as at 31 December 2008. He ceased to be the director of that subsidiary of the Company upon the disposal of that subsidiary during the year ended 31 December 2009.

(b) Ms. Lu is a director of a subsidiary of the Company as at 31 December 2008. She ceased to be the director of that subsidiary of the Company upon the disposal of that subsidiary during the year ended 31 December 2009.

On 11 August 2009, the Company received a writ of summons against the Company by Mr. Dai and Ms. Lu in respect of alleged loan payments totaling HK$3,000,000 by Mr. Dai and Ms. Lu to the Company (the "Claim"). The Company has filed a defence and counterclaim against Mr. Dai and Ms. Lu in respect of the Claim on 16 October 2009.

Having reached an amicable settlement with Mr. Dai and Ms. Lu in respect of the payments on 5 February 2010, the High Court of Hong Kong granted an order discontinuing the proceedings with respect to the Claim against the Company. Mr. Dai and Ms. Lu accepted HK$2,700,000 as final settlement.

Details of which are set out in the Company's announcements dated 12 August 2009, 20 October 2009 and 8 February 2010.

26. LOAN FROM A FELLOW SUBSIDIARY

At 31 December 2009, the amount represents loan with principal amount of HK$12,000,000 from Luck Bloom International Limited, a wholly owned subsidiary of CRLL. The amount is unsecured, bear interest at HK$ best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited, which is 5% per annum for the year ended 31 December 2009 and not repayable within the next twelve months. The loan is subject to variable interest rates which exposed the Group to cash flow interest rate risk. The loan are denominated in HK$ and hence no foreign currency risk exposure.

27. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 January 2008, 31 December 2008 and 1 January 2009, HK$0.10 each	326,086,957	32,609
Subdivision of shares of HK$0.10 each into ten shares of HK$0.01 each (Note a)	2,934,782,613	–
At 31 December 2009, HK$0.01 each	**3,260,869,570**	**32,609**
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 1 January 2009, HK$0.10 each	77,259,969	7,726
Subdivision of shares (Note a)	695,339,721	–
Placing of new shares (Note b)	140,000,000	1,400
At 31 December 2009, HK$0.01 each	**912,599,690**	**9,126**

Notes:

(a) Pursuant to the ordinary resolution passed by the Company's shareholders at the special general meeting held on 12 October 2009, every ordinary share of HK$0.10 each in the issued and unissued share capital of the Company was subdivided into ten ordinary shares of HK$0.01 each (the "Share Subdivision"). The Share Subdivision becomes effective on 13 October 2009.

(b) On 29 May 2009, arrangements were made for a private placement to independent private investors of 14,000,000 shares of HK$0.10 each in the Company, at a price of HK$0.70 per share representing a discount of approximately 6.67% to the closing market price of the Company's shares on 29 May 2009.

Upon the subdivision of shares as disclosed in Note 27(a) as above, the number of new shares to be issued under the placement was adjusted to 140,000,000 shares of HK$0.01 each of which the aggregate nominal value remains unchanged at HK$1,400,000.

The placement was completed on 9 November 2009. The gross proceeds and net proceeds, after deducting all related expenses, were approximately HK$9,800,000 and HK$9,556,000 respectively. The net proceeds were used to provide additional general working capital for the Company and/or for future possible investment opportunities. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 8 May 2009 and rank pari passu with other shares in issue in all respects.

28. CONVERTIBLE PREFERENCE SHARES

	Number of shares	Amount HK$'000
Authorised, issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009, HK$0.10 each	173,913,043	17,391

Note: Following the Share Subdivision takes effect on 13 October 2009, as detailed in Note 27(a) as above, the conversion price of the convertible preference shares was adjusted from HK$0.115 per share to HK$0.0115 per share.

The principal terms of the Convertible Preference Shares ("CP Shares") on the date of issue include the following:

(i) Dividend

A dividend of HK$600,000 calculated at 3% of par value of CP Shares was accrued for the year ended 31 December 2009 (2008: HK$700,000). No dividends accrued or paid upon the CP Shares until 31 December 2007. An accrued dividend at the rate of 3% of par value will be paid annually.

(ii) Capital

On a return of capital on liquidation or otherwise (but not on conversion), the holders of the CP Shares ("CP Shareholders") shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate notional value of HK$20 million (equivalent to approximately HK$0.115 per CP Share (Note)).

(iii) Redemption

The Company shall redeem all of the CP Shares at par plus the accrued and unpaid dividends at the maturity date falling five years from the date of allotment and issue of CP Shares.

28. CONVERTIBLE PREFERENCE SHARES (continued)

(iv) Conversion rights

Each CP Shareholder shall have the right to convert at any time any CP Share, which shall be deemed to have a value equal to the notional value thereof, into ordinary shares at the conversion price of HK$0.115 per share (Note), subject to adjustment provisions which are standard terms for convertible securities of similar type.

Each CP Shareholder shall exercise the conversion right attaching to the CP Shares only if it has been confirmed by the Company in writing that the allotment and issue of the ordinary shares to such CP Shareholder and the Company will only issue the ordinary shares pursuant to an exercise of such conversion right if such issue will not cause the Company to be in breach of the minimum public float requirement of not less than 25% as stipulated under Rule 11.23 of the GEM Listing Rules.

(v) Transferability

The CP Shares may be freely transferable subject to the provision of the Company's Bye-laws relating to the transfer of shares and share certificates and provided that no transfer of a CP Share shall be effected within a period of six months commencing on the date of issue of such CP Share.

(vi) Voting

The CP Shareholders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if passed would vary or abrogate the rights or privileges of the CP Shareholders.

On 19 January 2010 and 29 January 2010, CP Shares of aggregate principal amount of HK$17,250,000 was converted into 1,500,000,000 ordinary shares of the Company at the conversion prices of HK$0.0115 per share.

The net proceeds received from the issue of the CP Shares contain two components:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 10.27% per annum.

(ii) Equity component represents the difference between the proceeds of issue of the CP Shares and the fair value assigned to the liability component.

28. CONVERTIBLE PREFERENCE SHARES (continued)

The movement of the CP Shares for the year is as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2008	14,745	4,121	18,866
Interest charge (Note 8)	1,505	–	1,505
3% CP dividend	(700)	–	(700)
At 31 December 2008	15,550	4,121	19,671
Interest charge (Note 8)	1,599	–	1,599
3% CP dividend	(600)	–	(600)
At 31 December 2009	**16,549**	**4,121**	**20,670**

As at 31 December 2009, the total CP dividend accrued as detailed above was HK$600,000 (2008: HK$700,000). The amount of HK$600,000 accrued for the year ended 31 December 2009 has been fully paid as at the end of the reporting period. During the year ended 31 December 2008, HK$600,000 was included in amount due to the ultimate holding company and the remaining HK$100,000 accrued was included in other payables and accruals.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes unsecured loans, loan from a fellow subsidiary, and the liability component of CP Shares as disclosed in Notes 25, 26 and 28 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 27 and reserves as disclosed in the consolidated statement of changes in equity.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**27,181**	19,598
Available-for-sale investment	**–**	–
	27,181	19,598
Financial liabilities		
Amortised cost	**32,459**	22,288

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits, bank balances and cash, available-for-sale investment, trade and other payables and accruals, amount due to ultimate holding company, amount due to a fellow subsidiary, unsecured loans, loan from a fellow subsidiary and liability component of CP Shares. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries is RMB since certain of the revenue of the Group are derived from operations in the PRC. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings arising from the liability component of CP Shares as detailed in Note 28. The Group historically has not used any financial instrument to hedge potential fluctuations in interest rates.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate loan and bank balances as detailed in Notes 26 and 22 respectively. It's the Group's policy to keep its loan at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HKD best lending rate and bank deposit rate arising from the Group's HK$ denominated loan and bank balances respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2008: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2009 would decrease/increase by approximately HK$60,000 (2008: HK$57,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate loan and bank balances.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, mainly trade and other receivables and bank balances, as stated in the consolidated statement of financial position.

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 the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At the end of the reporting period, the Group has concentration of credit risk as none (2008: 77%) and 100% (2008: 99%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group is exposed to liquidity risk as the Group had net liabilities and capital deficiency of approximately HK$4,015,000 as at 31 December 2009. The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due. Details of which are set out in Note 2.

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rates	Carrying amount	Total undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009						
Non-derivative financial liabilities						
Trade and other payables and accruals	**–**	**859**	**859**	**859**	**–**	**–**
Amount due to a fellow subsidiary	**–**	**51**	**51**	**51**	**–**	**–**
Unsecured loans	**–**	**3,000**	**3,000**	**3,000**	**–**	**–**
Loan from a fellow subsidiary	**5.0**	**12,000**	**12,625**	**600**	**12,025**	**–**
Convertible preference shares	**3.0**	**16,549**	**21,800**	**600**	**600**	**20,600**
		32,459	**38,335**	**5,110**	**12,625**	**20,600**
2008						
Non-derivative financial liabilities						
Trade and other payables and accruals	–	3,138	3,138	3,138	–	–
Amount due to ultimate holding company	–	600	600	600	–	–
Unsecured loans	–	3,000	3,000	3,000	–	–
Convertible preference shares	3.0	15,550	22,400	600	600	21,200
		22,288	29,138	7,338	600	21,200

(c) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturities.

31. DISPOSAL OF SUBSIDIARIES

As referred to in Note 10, on 9 December 2009, the Group discontinued its provision of voice search engine portal services and knowledge management systems business at the time of disposal of Chineseroad Group. The net liabilities of Chineseroad Group at the date of disposal were as follows:

	HK$'000
NET LIABILITIES DISPOSED OF	
Plant and equipment	15
Intangible assets	–
Goodwill	–
Available-for-sale investment	–
Trade and other receivables, deposits and prepayments	1,371
Bank balances and cash	90
Trade and other payables and accruals	(2,324)
Amount due to immediate holding company	(65,216)
	(66,064)
Assignment of debt	65,216
Release of foreign currency translation reserve upon disposal	(3,664)
	(4,512)
Gain on disposal	4,812
Total consideration	300
Satisfied by:	
Cash	300
Net cash inflow arising on disposal:	
Cash consideration	300
Bank balances and cash disposed of	(90)
	210

The impact of Chineseroad Group on the Group's results and cash flows in the current and prior periods is disclosed in Note 10.

32. OPERATING LEASES

	2009 HK$'000	2008 HK$'000
Minimum lease payments paid under operating leases in respect of office premises during the year	**320**	470

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2009 HK$'000	2008 HK$'000
Within one year	**294**	348
In the second to fifth year inclusive	**49**	–
	343	348

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to two years and rentals are fixed over the terms of the leases.

33. SHARE OPTIONS

The Company has adopted a share option scheme on 24 January 2002 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant options to selected employees to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The board of directors of the Company may, at its discretion, invite any full-time or part-time employees of the Company or any member of the Group, including any executive and non-executive directors, advisors, consultants of the Company or any subsidiary of the Company to take up options to subscribe for shares of the Company. The total number of shares of the Company available for issue under the Share Option Scheme was initially 10% of the issued share capital as at the date of adoption of the Share Option Scheme.

An ordinary resolution was passed by the shareholders of the Company at the annual general meeting held on 23 April 2003 approving the renewal of the 10% general limit under the Share Option Scheme. The refreshed 10% general scheme limit had been fully utilised in 2004.

33. SHARE OPTIONS (continued)

The total number of shares of the Company available for issue under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time. An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Upon acceptance of the option, the employee should pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the shares of the Company will be a price to be determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet on the date of granting of the options; (ii) the average closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of granting of the options; and (iii) the nominal value of a share.

No share option has been granted under the Share Option Scheme by the Company during the two years ended 31 December 2009 and 2008.

34. RETIREMENT BENEFITS SCHEMES

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in retirement benefits operated by the relevant local government authorities. The Group is required to make contributions on behalf of employees who are registered permanent residents in the PRC. The Group's contributions for the year ended 31 December 2009 were based on 20% (2008: 20%) of the average wages of workers in Beijing, the city where the Group's PRC's staff are located, and amounted to approximately HK$36,000 (2008: HK$85,000).

The Group's Hong Kong office implemented a Mandatory Provident Fund Scheme (the "MPF") in compliance with the applicable regulations in Hong Kong for its staff at the end of 2000. 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. 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. The Group's contribution to the MPF amounted to approximately HK$107,000 (2008: HK$39,000).

35. RELATED PARTY TRANSACTIONS

(a) Amount due to ultimate holding company, amount due to a fellow subsidiary, unsecured loans and loan from a fellow subsidiary are included in the consolidated statement of financial position. The terms are set out in Notes 24, 25 and 26 respectively.

(b) A final dividend of HK$600,000 (2008: HK$600,000) was declared to CRLL in respect to the CP Shares during the year.

(c) Loan interest of approximately HK$433,000 was paid and approximately HK$51,000 was payable to Luck Bloom International Limited, a fellow subsidiary of the Company, in respect of the loan advanced during the year.

(d) During the year ended 31 December 2008, the Group acquired a motor vehicle of approximately HK$350,000 (2009: Nil) from a subsidiary of CRLL.

(e) Compensation to key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**3,325**	1,072
Retirement benefits scheme contributions	**29**	18
	3,354	1,090

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 HK$'000	2008 HK$'000
Non-current asset		
Interests in subsidiaries (Note a)	1	5,160
Current assets		
Other receivables, deposits and prepayments	89	203
Bank balances and cash	8,476	9,529
	8,565	9,732
Current liabilities		
Other payables and accruals	600	457
Amount due to ultimate holding company	–	600
Amount due to a fellow subsidiary	51	–
Unsecured loans	3,000	3,000
	3,651	4,057
Net current assets	4,914	5,675
Total assets less current liabilities	4,915	10,835
Non-current liabilities		
Loan from a fellow subsidiary	12,000	–
Convertible preference shares	16,549	15,550
	28,549	15,550
	(23,634)	(4,715)
Capital and reserves		
Share capital	9,126	7,726
Reserves (Note b)	(32,760)	(12,441)
	(23,634)	(4,715)

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) Interests in subsidiaries

	2009 HK$'000	2008 HK$'000
Investments in subsidiaries	1	1
Amount due from a subsidiary	–	5,159
	1	5,160

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

(b) Reserves

	Share premium HK$'000	Equity component of convertible preference shares HK$'000 (Note 28)	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	–	4,121	28,769	(2,899)	29,991
Loss for the year, representing total comprehensive loss for the year	–	–	–	(42,432)	(42,432)
At 31 December 2008	–	4,121	28,769	(45,331)	(12,441)
Loss for the year, representing total comprehensive loss for the year	–	–	–	(28,475)	(28,475)
Placing of new shares (Note 27)	8,400	–	–	–	8,400
Transaction costs attributable to placing of new shares	(244)	–	–	–	(244)
At 31 December 2009	**8,156**	**4,121**	**28,769**	**(73,806)**	**(32,760)**

The Company has no distribution reserves as at 31 December 2009 and 2008.

37. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Legal form of entity	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Principal activities
				Directly		Indirectly		
				2009	2008	2009	2008	
Chineseroad Incorporated	Limited liability	The British Virgin Islands ("BVI")	Ordinary shares of US$67,200	– (Note)	100%	–	–	Investment holding
Kama Business Holdings Limited	Limited liability	BVI	Ordinary shares of US$1	100%	100%	–	–	One-stop value chain services
Anson Development Limited	Limited liability	Hong Kong	Ordinary shares of HK$100	100%	100%	–	–	Group administration
Beijing Linefan Zhihui Technology Company Limited (北京藍帆智慧科技有限公司)	Equity joint venture ("EJV")	PRC	Registered share capital of RMB1,000,000	–	–	– (Note)	100%	Application software provider of non-structural knowledge integration systems and services
Beijing Linefan Technology Company Limited (北京藍帆科技有限公司)	EJV	PRC	Registered share capital of US$500,000	–	–	– (Note)	100%	Sale, development and implementation of non-structural knowledge integration systems and KM related network application systems and technology
Beijing Wellpay Software Technology Company Limited (北京威派軟件技術有限公司)	EJV	PRC	Registered share capital of RMB500,000	–	–	– (Note)	100%	Sale, development and implementation of non-structural knowledge integration systems and KM related network application and services
Unlimited Business Opportunity Communication Technology Company Limited (北京無限商機通信技術有限公司)	EJV	PRC	Registered share capital of RMB35,000,000	–	–	– (Note)	51.43%	Provision of voice search engine portal
Goodlink Corporation Limited	Limited liability	Hong Kong	Ordinary shares of HK$1	–	–	100%	–	Inactive

Note: The Group ceased to hold any equity interest in these companies upon the completion of the disposal of Chineseroad Group on 9 December 2009 as detailed in Note 31.

None of the subsidiaries has issued any debt securities at the end of the years.

38. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 January 2010, Golden Jack Development Limited ("Golden Jack"), a wholly owned subsidiary of the Company, entered into a memorandum of understanding (the "Memorandum") with CCGH Limited ("CCGH"), an independent third party, to which Golden Jack proposed to invest in CCGH and its related companies through acquisition of existing shares or subscription of new shares. Pursuant to the Memorandum, a refundable deposit in the amount of HK$8,000,000 will be made by Golden Jack to CCGH without any interest or collateral within five business days after the execution of the Memorandum pending Golden Jack's satisfaction with the relevant legal documents to be provided by CCGH in relation to the coal related business development of CCGH.

As no relevant legal documents was provided by CCGH within the required time, the Company did not have to pay the deposit of HK$8,000,000 as mentioned above.

Details of which are set out in the Company's announcement dated 12 January 2010.

(b) On 8 February 2010, Golden Jack, a wholly owned subsidiary of the Company, entered into a memorandum of understanding with C.C.I. (N.A.) LTD ("CCI"), an independent third party, to which Golden Jack is desirous of exploring the possibility of investing in CCI including, but not limited to, purchase of existing shares, subscription of equity or related derivative instrument in CCI.

Details of which are set out in the Company's announcement dated 8 February 2010.

(c) On 11 August 2009, the Company received a writ of summons against the Company by Mr. Dai and Ms. Lu in respect of alleged loan payments totaling HK$3,000,000 by Mr. Dai and Ms. Lu to the Company (the "Claim"). The Company has filed a defence and counterclaim against Mr. Dai and Ms. Lu in respect of the Claim on 16 October 2009.

Having reached an amicable settlement with Mr. Dai and Ms. Lu in respect of the payments, on 5 February 2010, the High Court of Hong Kong granted an order discontinuing the proceedings with respect to the claim against the Company. Mr. Dai and Ms. Lu accepted HK$2,700,000 as final settlement.

Details of which are set out in the Company's announcements dated 12 August 2009, 20 October 2009 and 8 February 2010.

(d) Subsequent to the end of the reporting period, CP Shares of principal amount of HK$17,250,000 was converted into 1,500,000,000 ordinary shares of the Company at the conversion prices of HK$0.0115 per share.

(e) On 29 December 2008, CRLL announced that it had entered into a placing agreement on 15 December 2008 and a supplemental placing agreement on 22 December 2008, pursuant to which the placing agent has agreed to act as placing agent for the purpose of a private sale of 150,000,000 CP Shares, at a price of HK$0.53 per CP Share on a best effort basis to potential subscribers. On 15 December 2009, CRLL announced that it had signed a further extension letter to extend the date for fulfillment of all conditions precedents of the placing to 15 January 2010.

The transaction was completed on 29 January 2010. Upon the completion of the transaction, the directors do not consider any company to be the ultimate holding company of the Company.

39. COMPARATIVE FIGURES

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

The following is a summary of the consolidated results and of the assets and liabilities of the Group:

For the year ended 31 December

	2009 **$'000** (Note 1)	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Revenue	**35,844**	10,832	1,460	4,788	6,066
Cost of sales	**(34,940)**	(8,896)	(929)	(2,329)	(2,778)
Gross profit	**904**	1,936	531	2,459	3,288
Other revenue	**3**	310	187	612	265
Gain on disposal of subsidiaries	**4,812**	–	–	–	–
Distribution costs	**–**	(6)	(22)	(1,617)	(4,071)
Administrative expenses	**(12,474)**	(8,062)	(7,113)	(7,660)	(13,556)
Impairment loss recognised in respect of goodwill on subsidiaries	**–**	(9,827)	(15,931)	–	–
Impairment loss recognised in respect of available-for-sale investment	**–**	(2,784)	–	–	–
Finance costs	**(2,083)**	(1,505)	(219)	–	(1)
Loss before taxation	**(8,838)**	(19,938)	(22,567)	(6,206)	(14,075)
Taxation	**–**	(83)	–	–	–
Loss for the year	**(8,838)**	(20,021)	(22,567)	(6,206)	(14,075)
Loss for the year attributable to:					
Owners of the Company	**(8,838)**	(20,021)	(22,567)	(4,972)	(13,525)
Non-controlling Interests	**–**	–	–	(1,234)	(550)
	(8,838)	(20,021)	(22,567)	(6,206)	(14,075)

Note 1: The consolidated results for the year ended 31 December 2009 included the results from continuing and discontinued operations.

Financial Summary

ASSETS AND LIABILITIES

As at 31 December

	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Non-current assets	**1,124**	1,251	15,288	30,848	36,014
Current assets	**27,320**	19,968	24,785	1,863	4,420
Current liabilities	**3,910**	6,738	6,876	4,474	3,661
Net current assets (liabilities)	**23,410**	13,230	17,909	(2,611)	759
Non-current liabilities	**28,549**	15,550	14,745	–	–
(Net liabilities) net assets	**(4,015)**	(1,069)	18,452	28,237	36,773