China Railway Logistics Limited
中國鐵路貨運有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8089

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.

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This annual report, for which the directors (the "Directors") of China Railway Logistics 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 ("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 annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Lam Ka Wai Graham
Mr. Wang Chin Mong

AUTHORISED REPRESENTATIVES

Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Ka Wai Graham
Mr. Wang Chin Mong

NOMINATION COMMITTEE

Ms. Yeung Sau Han Agnes *(Chairman)*
Ms. Yuen Wai Man
Mr. Lam Ka Wai Graham
Mr. Wang Chin Mong

REMUNERATION COMMITTEE

Mr. Lam Ka Wai Graham *(Chairman)*
Ms. Yeung Sau Han Agnes
Ms. Yuen Wai Man
Mr. Wang Chin Mong

COMPANY SECRETARY

Mr. Li Chak Hung

COMPLIANCE OFFICER

Ms. Yeung Sau Han Agnes

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT OFFICE

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

AUDITOR

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
China Construction Bank Corporation
Fubon Bank (Hong Kong) Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

IT and Telecommunications

With the onset of the gradually improving global environment, the revival in Hong Kong economy, the economic rebound and strong domestic demand in the People's Republic of China ("PRC"), the IT and telecommunications markets returned to positive growth and became more in line with the past growth trend, after the recession in 2008.

The IT and telecommunications business of the Group, including computer telephony and one-stop value chain services, recorded a notable increase in revenue in 2009. The one-stop value chain business commenced in the third quarter of 2008 in order to serve the information technology, telecommunications and advanced manufacturing industries with products and services provisions including logistics, systems support and supply of technological advanced products and knowledge-based services. In general, our overall IT and telecommunications business was steady with stable income generated from major customers of computer telephony business, including various government departments, Citibank, VANCO and Hutchison Telecom.

Loan Financing

After the current global crisis has fully run its course, the medium and longer-term economic prospects for Hong Kong remain promising. To complement the vibrant developments in the PRC, Hong Kong, as an international financial centre and a leading business hub, is striving towards the development of knowledge-based and high value-added activities. The Directors foresee an increasing demand for sources of financing. As such, the Group proceed to develop the business of loan financing. A money lender licence was granted in November 2009.

PROSPECT

The IT and telecommunications markets in Hong Kong remained relatively stable in 2009 as they emerged from the difficult operating environment in recent years. During the past years, we have been able to maintain our relationship with our major customers and generated steady and stable income.

With the acquisition of 44% effective interest in 長沙新興發展有限公司 (Changsha Xinxing Development Limited) ("Changsha Xinxing"), the Group intends to explore the business opportunities into the electronic retail market in the PRC. Changsha Xinxing is principally engaged in the management of a shopping mall selling electronic products in Changsha, the PRC (the "Shopping Mall"). The Shopping Mall is situated at a prime location near the Changsha Railway Station with gross floor area of approximately 25,700 square metres. Most of the shops therein have been leased out and the Shopping Mall has been renovated and commenced operation in January 2010. The Company has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the remaining shareholders of Changsha Xinxing, with respect to the operation and development of the Shopping Mall.

The Board remains prudently optimistic about the property market in the PRC and Hong Kong in the long run and hence will continue to seek investment opportunities in both property markets aiming to enhance the Group's profitability.

Continuing the momentum in the latter part of 2009, the economy should start off with a strong, broad-based growth in both domestic and external sectors. The Board believes that a long term strategy with active risk control will help to generate positive returns for the shareholders of the Company. The Board continues to be cautiously optimistic about the prospect of the Group and will continue to be prudent in its approach to future business development.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's turnover from continuing operations was approximately HK$8,916,000 (2008: HK$8,403,000 million), which represents an increase of approximately 6.1% as compared with last year. Turnover from loan financing, a newly established business during the year was approximately HK$2,582,000, representing approximately 29% of the revenue of the Group.

Administrative expenses for the year ended 31 December 2009 was approximately HK$40,247,000 (2008: approximately HK$50,985,000), representing a decrease of 21.1% over that of the last year.

The Group recorded a loss for the year attributable to owners of the Company was approximately HK$5,512,000, representing a decrease of 98% as compared to loss of HK$281,578,000 in 2008.

FUND RAISING ACTIVITIES

On 15 December 2008, Top Status International Limited ("Top Status"), a wholly-owned subsidiary of the Company, entered into a placing agreement (as amended by supplemental placing agreements dated 22 December 2008, 15 March 2009, 15 June 2009, 15 September 2009 and 15 December 2009) with a placing agent for a private placing of 150,000,000 convertible preference shares (the "CP Share") of China Eco-Farming Limited ("CEF"), a non-wholly owned subsidiary of the Company and a company listed on GEM Board of the Stock Exchange. (Stock Code: 8166) at a price of HK$0.53 per CP Share on a best effort basis to potential subscribers (the "CP Placing"). The CP Placing was completed on 29 January 2010.

On 29 May 2009, CEF entered into a placing agreement with a placing agent in relation to a placement of 14,000,000 new ordinary shares of HK$0.10 each in the share capital of CEF at a price of HK$0.70 per share to independent investors. The placing was completed on 9 November 2009 after the share subdivision of CEF that was effective from 13 October 2009 pursuant to which each of the issued and unissued shares of HK$0.10 each in the share capital of CEF be subdivided into 10 shares of HK$0.01 each. Pursuant to the placing, an aggregate of 140,000,000 shares of HK$0.01 each were successfully placed at the placing price of HK$0.07 per share. Upon completion of the placing on 9 November 2009, the Company's interest in CEF was diluted from approximately 69.54% to approximately 58.87%.

On 10 June 2009, the Company entered into a warrant placing agreement (as amended by supplemental placing agreements dated 8 September 2009 and 7 November 2009) with a placing agent to place a maximum of 110,000,000 non-listed warrants of the Company at the warrant issue price of HK$0.03 per warrant ("Warrants"). The Warrants entitle the placees to subscribe for a maximum of 110,000,000 new ordinary shares of HK$0.001 each in the share capital of the Company at an initial warrant exercise price of HK$0.80 per new share for a period of 36 months commencing from the date of issue of the Warrants. The placing was completed on 20 November 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders equity and internally generated cash flows.

As at 31 December 2009, the Group had cash and cash equivalent of approximately HK$299,866,000 (2008: HK$802,629,000) and had no bank borrowings (2008: nil). The gearing ratio, measured on the basic of total non-current liabilities to total assets less current liabilities, was zero times (2008: zero times).

CAPITAL STRUCTURE

As at 31 December 2009, the total number of issued shares of the Company was 563,814,000 (2008: 537,314,000).

On 20 April 2009, the Company issued and allotted 26,500,000 new shares as part of the consideration with respect to the acquisition of 25% equity interest in Great Hill Trading Limited ("Great Hill").

CHARGES ON ASSETS

As at 31 December 2009 and at 31 December 2008, the Group did not have any charges on its assets.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2009.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The reporting currency adopted by the Group is Hong Kong dollars ("HK$"). Majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("USD") or Renminbi ("RMB"). HK$ is closely linked with USD. On the other hand, although the exchange rate of HK$ against RMB had been steadily depreciated for the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk as any specific five years currency other than RMB. Therefore, no hedging devices or other alternative have been implemented.

SIGNIFICANT INVESTMENTS

As at 31 December 2009, the Group held Investments properties with its fair value amounted to approximately HK$142,246,000 (2008: nil). The Group also held convertible bonds and investments held for trading amounted to approximately HK$46,176,000 and HK$94,540,000 (2008: HK$7,047,000 and HK$3,281,000) respectively. During the year, the Group subscribed an available-for-sale financial assets with fair value amounted to HK$16,437,000 as at 31 December 2009.

On 25 June 2009, Oasis Choice Holdings Limited, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to acquire a property located at Flat B, 22nd Floor, The Mayfair, No. 1 May Road, Hong Kong with an aggregate gross floor area of approximately 2,838 square feet, at a cash consideration of HK$47,000,000. The acquisition was completed on 25 August 2009.

On 20 August 2009, Richmax Corporation Limited ("Richmax"), a wholly-owned subsidiary of the Company, entered into a provisional agreement with an independent third party to acquire a property at a cash consideration of HK$117,427,600 for Investments purpose.. The property is located at Office Unit on 8th Floor, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong with an aggregate gross floor area of approximately 15,451 square feet ("Office Property"). On 21 October 2009, Richmax entered into a provisional agreement for sale and purchase with another independent third party to dispose the Office Property at a consideration of HK$134,423,700 resulting in a gain on disposal of an investment property of approximately HK$15,123,000.

On 27 September 2009, 深圳市盛世富強科技有限公司, a wholly-owned subsidiary of the Company, entered into eight formal agreements with Mr. Xiao Jin Cong in relation to the acquisition of the properties located at Units 33A to 33H, Times Fortune Building, Futian District, Southeast Part, Shenzhen, the PRC, with an aggregate gross floor area of approximately 1,693.45 square meters, at an aggregate consideration of RMB40,002,273. The acquisition was completed on 29 September 2009.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 23 January 2009, Ultra Million Limited ("Ultra Million"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Wisdom First Limited to acquire 25% equity interest in Great Hill at an aggregate consideration of HK$20,225,000 which was satisfied by HK$3,000,000 in cash and an aggregate 26,500,000 consideration shares issued at the market value on the completion date. On 22 April 2009, Ultra Million entered into a conditional sale and purchase agreement with Richy Spring International Limited to further acquire 75% equity interest in Great Hill at an aggregate consideration of HK$34,000,000. The acquisition was completed on 8 May 2009 and Great Hill became a wholly-owned subsidiary of the Company. On 16 October 2009, Welford International Industry Limited, a wholly-owned subsidiary of Great Hill was disposed together with a shareholders' loan to an independent third party at an aggregate consideration of HK$4,000,000.

On 10 March 2009, Asiaciti Management Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement to acquire 44% effective interests in Changsha Xinxing at an aggregate consideration of RMB72,600,000 (approximately HK$82,320,000). The acquisition was completed on 20 October 2009 and Changsha Xinxing became a jointly controlled entity of the Company.

On 29 June 2009, Centre World Holding Limited ("Centre World"), a wholly-owned subsidiary of the Company, entered into an agreement with Best Access Investment Holdings Limited to dispose 100% equity interest in Proactive International Limited ("Proactive") and a loan of HK$3,616,000 owing by Proactive to Centre World as at the date of the agreement at an aggregate consideration of HK$1,000,000. The transaction was completed on 2 July 2009.

On 29 September 2009, CEF entered into an agreement with Skycomm International Limited to dispose 100% equity interest in Chineseroad Incorporated ("Chineseroad") and a loan of HK$65,216,000 owed by Chineseroad to CEF as at 30 June 2009 at an aggregate consideration of HK$300,000. The disposal was completed on 9 December 2009.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group (excluding its associates) had about 55 full time employees (2008: 60 employees) in Hong Kong and the PRC as at 31 December 2009. During the year ended 31 December 2009, the Group had incurred staff costs (including Directors' emoluments) of approximately HK$15,459,000 (2008: HK$20,381,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by shareholders in the annual general meeting of the Company, having regard to their skills, knowledge and involvement in the Company's affairs. No Director is involved in deciding his/her own remuneration.

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate the eligible employees, including the Directors, the Company has adopted a share option scheme. The scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their continuing contributions to the Group. As at 31 December 2009, there are 2,200,000 share options remained outstanding.

EXECUTIVE DIRECTORS

Ms. Yeung Sau Han Agnes ("Ms. Yeung"), aged 44, was a graduate from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a higher diploma in fashion design. Prior to joining the Company, Ms. Yeung worked in various garment companies for over 16 years and is currently the director of certain subsidiaries of the Company. Ms. Yeung previously served as an executive director for China Bio-Med Regeneration Technology Limited ("China Bio-Med") (Stock Code: 8158), from 8 June 2007 to 3 December 2009, and Heng Xin Holdings Limited ("Heng Xin") (Stock Code: 8046) , from 11 July 2007 to 31 March 2009, which both China Bio-Med and Heng Xin are listed on GEM Board of the Stock Exchange. She was appointed as an executive director of PME Group Limited ("PME") (Stock Code: 379), a company listed on the Main Board of the Stock Exchange, since 2 May 2007.

According to the service contract between the Company and Ms. Yeung, Ms. Yeung is entitled to an annual remuneration of HK$960,000, which is determined by the Board with reference to her duties and responsibilities within the Company, and a fixed bonus equal to the monthly salary of HK$80,000. All the remuneration and fixed bonus are covered by the service contract. Ms. Yeung has been appointed for an initial fixed term of two years which will continue thereafter until being terminated by either party giving not less than three-month prior notice. Ms. Yeung is subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Company's bye-laws.

Save as disclosed above, Ms. Yeung has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past three years. Save for being an executive director of PME, a substantial shareholder of the Company, Ms. Yeung is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 45, is graduated from The University of South Australia with a Master of Business Administration degree. Ms. Chan has over 16 years of experience in investment and is currently the director of certain subsidiaries of the Company. She is also a director of Channel Enterprises (Int'l) Limited and an executive director of PME (Stock Code: 379) and ZZNode Technologies Company Limited ("ZZNode") (Stock Code: 2371), which both PME and ZZNode are listed on the Main Board of the Stock Exchange.

Ms. Chan has not entered into any service contract with the Company and has no fixed term of service with the Company, but she is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company. Ms. Chan is entitled to a monthly emolument of HK$80,000. The emolument is determined by the Board with reference to her position, her level of responsibilities, the remuneration policy of the Company and prevailing market conditions.

Save as disclosed above, Ms. Chan has not previously held any other directorships in any listed public companies in the past three years and has not held any positions in the Company and its subsidiaries. Save for being an executive director of PME, a substantial shareholder of the Company, Ms. Chan does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. Ms. Chan had the following interests in shares and underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance:

Name	Personal Interest	Approximate percentage of shareholding
Chan Shui Sheung Ivy	60,000	0.011%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 38, is graduated from the University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, member of The Hong Kong Institute of Certified Public Accountants and The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 15 years.

Ms. Yuen has entered into an appointment letter with the Company for an initial term of two years commenced from 4 July 2008, which will continue thereafter until being terminated by either party serving on the other not less than three months' notice after expiration of the said initial fixed term. She is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the bye-laws of the Company, and is entitled to a monthly emolument of HK$20,000 without any bonus payment. The emolument is determined with reference to the expected time commitment of Ms. Yuen to the Company's affairs.

Save as disclosed above, Ms. Yuen has not previously held any position with the Company or any of its subsidiaries and has not been a director in any other listed company in the past three years. Also, she is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Lam Ka Wai Graham ("Mr. Lam"), aged 42, graduated from the University of Southampton, England with a Bachelor of Science degree in Accounting and Statistics. He is a member of Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lam is currently a managing director and head of corporate finance of an investment bank and has around 16 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also the independent non-executive director of Cheuk Nang (Holdings) Limited (Stock Code: 131), Applied Development Holdings Limited (Stock Code: 519), China Fortune Group Limited (Stock Code: 290), ZZNode (Stock Code: 2371), China Sonangol Resources Enterprise Limited (Stock Code: 1229), Pearl Oriental Innovation Limited (Stock Code: 632) and Value Convergence Holdings Limited (Stock Code: 821), all of which are companies listed on the Main Board of the Stock Exchange; and Finet Group Limited (Stock Code: 8317), a company listed on GEM Board of the Stock Exchange.

Mr. Lam has entered into an appointment letter with the Company for a term of two years commenced from 22 December 2008, which will continue thereafter until being terminated by either party serving on the other not less than three months' notice after expiration of the said initial fixed term. He is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company, and is entitled to a monthly emolument of HK$20,000 without any bonus payment. The emolument is determined with reference to the expected time commitment of Mr. Lam to the Company's affairs.

Save as disclosed above, Mr. Lam has not previously held any position with the Company or any of its subsidiaries nor has been a director in any other listed company in the past three years. He is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wang Chin Mong ("Mr. Wang"), aged 38, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 13 years of experience in the fields of auditing, accounting and finance. He was an independent non-executive director of Heng Xin (Stock Code: 8046), a company listed on GEM Board of the Stock Exchange, for the period from April 2008 to March 2009.

Mr. Wang has entered into an appointment letter with the Company for a term of one year commenced from 10 August 2009, which will continue thereafter until being terminated by either partly serving on the other not less than three months' notice after expiration of the said initial fixed term. He is subject to retirement by rotation and re-election at general meeting of the Company in accordance with the bye-laws of the Company, and is entitled to a monthly emolument of HK$20,000 without any bonus payment. The emolument is determined with reference to the expected time commitment of Mr. Wang to the Company's affairs.

Save as disclosed above, Mr. Wang has not previously held any position with the Company or any of its subsidiaries nor has been a director in any other listed company in the past three years. Also, he is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

SENIOR MANAGEMENT

Mr. Tsang Chi Hin ("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 currently an executive director and chief executive officer of CEF (Stock Code: 8166), a subsidiary of the Company and directors of certain subsidiaries of the Company.

Mr. Chu Yu Man, Philip ("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. Mr. Chu is currently an executive director of CEF.

Ms. Siu Yuk Wa Joe Joe ("Ms. Siu") holds a Bachelor's Degree of Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. She has over 21 years' experience in accounting and financial management. Ms. Siu is currently the Chief Financial Officer of the Group.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries were principally engaged in investment holding, sale, development and implementation of value-added telecommunications products, computer telephony products, and non-structural knowledge integration systems, provision of one-stop value chain services, properties investments, securities trading and loan financing.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business segment is set out in Note 8 to the accompanying financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 37 and 38 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 134 and 135 of this annual report.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and the Group's associates are set out in Notes 47 and 19 to the accompanying financial statements respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year are set out in Note 17 to the accompanying financial statements.

DIVIDEND

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

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 37 to the accompanying financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in the section headed "Consolidated Statement of Changes in Equity" on page 41 of this annual report.

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

SHARE OPTION SCHEME

A summary of the share option scheme and details of the movements in share options of the Company during the year are set out on pages 119 and 120 of this annual report.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 40 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the five largest customers accounted for approximately 82.2% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 94.8% of the Group's total purchases. The largest customer of the Group accounted for approximately 37.3% of the Group's total turnover while the largest supplier accounted for approximately 65.4% of the Group's total purchases. Both total turnover and purchases of the Group comprised of continuing and discontinued operations.

During the year, none of the Directors, their associates, or any shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 41 to the accompanying financial statements.

SUBSEQUENT EVENTS

Details of significant events occuring after the reporting date are set out in Note 48 to the accompanying financial statements.

OTHER DISCLOSURE

As stated in the Company's 2007 and 2008 annual report, the company had encountered problems in its adventure into the railway logistics transportation business in the PRC. As such, in November 2008, Dragon Billion Limited ("Dragon Billion"), a wholly owned subsidiary of the Company, (i) disposed the entire shareholding interest (the "Sale Shares") in Eternity Profit Investments Limited ("Eternity Profit"), a wholly owned subsidiary of the Company, (ii) disposed the outstanding debts consisting of the HK$151,980,000 advanced by Dragon Billion to Eternity Profit (the "Sale Debts"), and (iii) agreed the call option to buy-back the Sale Shares. As disclosed in the circular of the Company dated 2 December 2008, the completion of the disposal of the Sale Debts shall be conditional upon condition being fulfilled on or before 31 December 2009. As additional time is required by the purchaser to fulfill condition precedent for the completion of the disposal of the Sale Debts, on 30 December 2009, Dragon Billion and the purchaser entered into the supplemental agreement to extend the second long stop date to 31 December 2010.

DIRECTORS

The Directors who held office during the year and up to the date of this annual report are:

Executive Directors

Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

Non-Executive Director

Mr. Xie Jintai	(resigned on 31 May 2009)

Independent Non-executive Directors

Ms. Yuen Wai Man	
Mr. Lam Ka Wai Graham	
Mr. Wang Chin Mong	(appointed on 10 August 2009)
Mr. Law Wing Tak Jack	(retired on 29 May 2009)
Mr. Lam Raymond Shiu Cheung	(resigned on 17 June 2009)

In accordance with bye-law no. 87(1) of the Company's bye-laws, Ms. Yeung Sau Han Agnes and Ms. Yuen Wai Man will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Mr. Wang Chin Mong, who was appointed as independent non-executive Director of the Company on 10 August 2009, will retire from office and, being eligible offer himself for re-election at the forthcoming annual general meeting of the Company in accordance with bye-law no. 86(2) of the Company's bye-laws.

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Company's bye-laws.

Under the bye-laws of the Company, all Directors are subject to retirement by rotation at least once every three years.

None of the Directors being proposed for re-elections at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 11 to 15 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 13 and 14 to the accompanying financial statements.

SERVICE CONTRACT OF DIRECTORS

Ms. Yeung Sau Han Agnes has entered into a service contract with the Company for an initial fixed term of two years commenced from 8 May 2008, which will continue thereafter until terminated by either party giving not less than three-month prior notice. Ms. Chan Shui Sheung Ivy has not entered into any service contract or appointment letter with the Company.

Ms. Yuen Wai Man has entered into an appointment letter with the Company for an initial term of two years commenced from 4 July 2008, which will continue thereafter until terminated by either party serving on the other not less than three months' notice after expiration of the said initial fixed term.

Mr. Lam Ka Wai Graham has entered into an appointment letter with the Company for a term of two years commenced from 22 December 2008, which will continue thereafter until terminated by either party serving on the other not less than three months' notice after expiration of the said Initial fixed term.

Mr. Wang Chin Mong has entered into an appointment letter with the Company for a term of one year commenced from 10 August 2009, which will continue thereafter until terminated by either party serving on the other not less than three months' notice after expiration of the said Initial fixed term.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at the year ended 31 December 2009 or at any time during the year.

COMPETING INTERESTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2009, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "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 were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company, or to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Total interests	Total approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	60,000	0.011%

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares", at no time during the year ended 31 December 2009 was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Directors or Company's members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2009.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, persons who had interests or short positions directly or indirectly in the Company's shares, underlying shares and debentures recorded in the register kept by the Company pursuant to section 336 of the SFO or to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules were as follows:

Name of Shareholders	Capacity	Number of shares	Percentage of interests
PME Group Limited	Interest of corporation controlled	80,254,000 (Note 1)	14.23%
Sunbright Asia Limited	Beneficial owner	71,000,000 (Note 1)	12.59%
Well Support Limited	Beneficial owner	52,415,466 (Note 2)	9.30%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	52,415,466 (Note 2)	9.30%

Notes:

1. Pursuant to the corporate substantial shareholder notices filed by PME Group Limited dated 20 April 2009 and by Sunbright Asia Limited dated 20 April 2009, PME Group Limited through its various controlled corporations is interested in an aggregate of 80,254,000 shares of the Company.

   (i) 71,000,000 shares are directly held by Sunbright Asia Limited, by virtue of CR Investment Group Limited's 100% interest in Sunbright Asia Limited and PME Group Limited's 100% interest in CR Investment Group Limited; and

(ii) 9,254,000 shares are directly held by Betterment Enterprises Limited, by virtue of Richcom Group Limited's 99.49% interest in Betterment Enterprises Limited, CR Investment Group Limited's 100% interest in Richcom Group Limited and PME Group Limited's 100% interest in CR Investment Group Limited.

2. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited dated 28 June 2007 and the individual substantial shareholder notice filed by Liu Yi Dong dated 28 June 2007, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

Save as disclosed above, the Directors were not aware of any other shareholders or other persons who had an interest or a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of the Company, or any other substantial shareholders whose interest or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 December 2009.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 25 to 34 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float as required under the GEM Listing Rules as at the date of this annual report.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been changed to Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong with effect from 3 November 2009.

AUDITOR

A resolution to re-appoint SHINEWING (HK) CPA LIMITED as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 26 March 2010

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2009 except for the deviations as disclosed in the following relevant paragraphs.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of five Directors, of whom two are the executive Directors, namely Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy, and three are the independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong.

Biographical details of each Director is set out in the section headed "Profile of Directors and Senior Management" on pages 11 to 15 of this annual report.

The Board includes a balanced composition of executive Directors and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The Company has complied with rule 5.05(1) of the GEM Listing Rules throughout the year ended 31 December 2009 except for the period from 17 June 2009 to 9 August 2009. Following the resignation of Mr. Lam Raymond Shiu Cheung, the former independent non-executive Director, on 17 June 2009, the Company has only two independent non-executive directors, the number of which fell below the minimum number required under rules 5.05(1) of the GEM Listing Rules. With effect from 10 August 2009, Mr. Wang Chin Mong was appointed as an independent non-executive Director to fill the casual vacancy of the position and to comply with rules 5.05(1) of the GEM Listing Rules. Throughout the year ended 31 December 2009, at least one Independent Non-executive Director has appropriate professional qualification, or accounting or related financial management expertise as required by rule 5.05(2) of the GEM Listing Rules.

Pursuant to rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his/her independence to the Company. The Company considers all of the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and oversight of management. The Board also 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 of the Company, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through the executive Directors who have attended the Board meetings.

The Board held 16 meetings during the year ended 31 December 2009. Details of the attendance of the Board are as follows:

		Attendance
Executive Directors		
Ms. Yeung Sau Han Agnes		16/16
Ms. Chan Shui Sheung Ivy		16/16
Non-Executive Director		
Mr. Xie Jintai	(resigned on 31 May 2009)	0/11
Independent Non-executive Directors		
Ms. Yuen Wai Man		11/16
Mr. Lam Ka Wai Graham		11/16
Mr. Wang Chin Mong	(appointed on 10 August 2009)	1/2
Mr. Law Wing Tak Jack	(retired on 29 May 2009)	2/10
Mr. Lam Raymond Shiu Cheung	(resigned on 17 June 2009)	9/12

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and minutes of the committee meetings 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 Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. During the year, the Company fully complied with rules 5.14 of the GEM Listing Rules.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. The Directors are encouraged to update their skills, knowledge and familiarity with the Group through their initial induction, ongoing participation at the Board and Committee meetings, and through meeting key members of management.

DIRECTORS' SECURITIES TRANSACTIONS

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

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate 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.

Subsequent to the resignation of the former Chairman, Mr. Lim Kwok Choi on 6 October 2008 and the former chief executive officer, Mr. Ha Shu Tong on 11 March 2008, the two posts have been vacant as at 31 December 2009. The Board will keep reviewing the current structure from time to time. If a candidate with suitable knowledge, skill and experience is identified, the Company will make appointment to fill the post as appropriate.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently consists of four members, including three independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong, and the executive Director, namely Ms. Yeung Sau Han Agnes. Mr. Lam Ka Wai Graham is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management. No committee member can be involved in deciding his own remuneration. The remuneration committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration to determine the remuneration package of all executive Directors and senior management; and expected time commitment to the Company's affair would be considered for determination of the remuneration packages of all non-executive Directors and independent non-executive Directors.

The remuneration committee of the Company will consult the Board about its proposals relating to the remuneration of other executive Directors and the senior management of the Company and has the right to require the Company's management to furnish any remuneration related information of the Company for the purposes of discharging its duties.

During the year under review, the remuneration committee of the Company held 1 meeting and significant matters discussed are summarized as follows:

– To review the remuneration package of Directors and senior management

– To recommend the remuneration package of the newly appointed Directors to the Board for approval.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members		Attendance
Mr. Lam Ka Wai Graham	(appointed as Chairman on 7 August 2009)	1/1
Ms. Yeung Sau Han Agnes		1/1
Ms. Yuen Wai Man		1/1
Mr. Wang Chin Mong	(appointed on 10 August 2009)	0/0
Mr. Law Wing Tak Jack	(retired on 29 May 2009)	0/0
Mr. Lam Raymond Shiu Cheung	(resigned as Chairman and member on 17 June 2009)	0/0

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong, and the executive Director, namely Ms. Yeung Sau Han Agnes. Ms. Yeung Sau Han Agnes is the chairman of this committee.

The duties and responsibilities of the nomination committee include the following:

1. To review regularly the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regards to any changes;

2. To give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are needed on the Board in the future;

3. To be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise but will make no prior commitment in advance of Board approval to such candidates;

4. Before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and, with reference to such evaluation, prepare a description of the role and capabilities required for a particular appointment.

5. To make recommendations to the Board concerning:

   (a) Succession plans for both executive and non-executive Directors and in particular for the key roles of chairman of the Board and chief executive officer;

   (b) Suitable plans for the role of senior independent Director, if thought appropriate;

   (c) Membership of the audit and remuneration committees, in consultation with the chairmen of those committees;

   (d) The re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

   (e) The continuation (or not) in service of any Director who has reached the age of 70;

   (f) The re-election by shareholders of any Director under the 'retirement by rotation' provisions in the company's bye-laws having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

   (g) Any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the company subject to the provisions of the law and their service contract; and

   (h) The appointment of any Director to executive or other office other than to the position of Chairman of the Board and chief executive officer, the recommendation for which would be considered at a meeting of the full Board.

The nomination committee of the Company considers the past performance, qualification, general market conditions and the Company's bye-laws in selecting and recommending candidates for directorship during the year under review.

During the year, the nomination committee met 2 times and significant matters discussed are summarized as follows:

- To be involved in the assessment of the appointment of the Directors (including executive Directors, non-executive Director and independent non-executive Directors) and members of the remuneration committee and audit committee before a recommendation was made to the Board;

- To review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the independent non-executive Directors and make recommendation to the Board accordingly.

Details of the attendance of the Company's nomination committee meetings are as follows:

Members		**Attendance**
Ms. Yeung Sau Han Agnes		2/2
Ms. Yuen Wai Man		2/2
Mr. Lam Ka Wai Graham		2/2
Mr. Wang Chin Mong	(appointed on 10 August 2009)	0/0
Mr. Law Wing Tak Jack	(retired on 29 May 2009)	0/1
Mr. Lam Raymond Shiu Cheung	(resigned on 17 June 2009)	1/1

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and financial statements, interim reports and quarterly reports and to provide advice and comments thereon to the Board.

The audit committee in conjunction with the external auditors of the Company have reviewed the Group's financial statements for the year ended 31 December 2009 and have provided advice and comments thereon. The Company's audit committee has met 4 times during the year.

As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong. Ms. Yuen Wai Man is the chairman of the committee.

The Company has complied with rule 5.28 of the GEM Listing Rules throughout the year ended 31 December 2009 except for the period from 17 June 2009 to 9 August 2009. Following the resignation of Mr. Lam Raymond Shiu Cheung, the former member of audit committee, on 17 June 2009, the Company has only two audit committee members, the number of which fell below the minimum number required under rules 5.28 of the GEM Listing Rules. With effect from 10 August 2009, Mr. Wang Chin Mong was appointed as a member of audit committee respectively to fill the casual vacancy of the position and to comply with rules 5.28 of the GEM Listing Rules.

The audit committee of the Company held 4 meetings during the year ended 31 December 2009. Details of the attendance of the meetings are as follows:

Members		**Attendance**
Ms. Yuen Wai Man	(appointed as Chairman on 29 May 2009)	4/4
Mr. Lam Ka Wai Graham		4/4
Mr. Wang Chin Mong	(appointed on 10 August 2009)	1/1
Mr. Law Wing Tak Jack	(retired as Chairman and member on 29 May 2009)	1/2
Mr. Lam Raymond Shiu Cheung	(resigned on 17 June 2009)	2/2

The Group's unaudited quarterly and interim results and audited annual results in respect of the year ended 31 December 2009 have been reviewed by the Company's audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the Company's external auditor, SHINEWING (HK) CPA LIMITED, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	900
– Non-audit services	182
	1,082

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Investor and Shareholder Relations

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. Therefore, the Board maintains close communications with the investors by uploading the announcements and news onto the Company's website. The Board also welcomes the views of the shareholders of the Company on matters affecting the Group and encourages them to attend the shareholders' meetings to communicate with the Board or management directly.

Internal Control

The Board had conducted a review of the effectiveness of the Group's internal control system. Procedures have been set up for safeguarding assets against unauthorized 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.

On behalf of the Board
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 26 March 2010

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF CHINA RAILWAY LOGISTICS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Railway Logistics Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 133, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statements 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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
26 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	8	**8,916**	8,403
Cost of sales		**(3,104)**	(3,144)
Gross profit		**5,812**	5,259
Other income	7	**4,685**	21,660
Distribution and selling expenses		**(20)**	(23)
Administrative expenses		**(40,247)**	(50,985)
Gain on disposal of an associate		**94**	–
Gain on disposal of an investment property		**15,123**	–
Fair value changes in investment properties	18	**27,432**	–
Loss arising from fair value changes of investments held for trading		**(13,048)**	(1,902)
Gain arising from fair value changes of convertible bonds designated at financial assets at fair value through profit or loss		**17,529**	715
Gain on disposal of subsidiaries		**205**	–
Share of loss of an associate		**(23)**	–
Share of loss of a jointly controlled entity		**(4,028)**	–
Finance costs	9	**(3)**	(22)
Profit (loss) before tax	10	**13,511**	(25,298)
Income tax expense	11	**(8,084)**	–
Profit (loss) for the year from continuing operations		**5,427**	(25,298)
Discontinued operations	12		
Loss for the year from discontinued operations		**(10,872)**	(256,280)
Loss for the year		**(5,445)**	(281,578)

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Other comprehensive income			
Fair value gain on available-for-sale financial assets		**951**	–
Exchange differences on translating foreign operations		**(45)**	(373)
Other comprehensive income for the year		**906**	(373)
Total comprehensive income for the year		**(4,539)**	(281,951)
Continuing operations			
(Loss) profit for the year attributable to:			
– Owners of the Company		**(5,512)**	(281,578)
– Minority interests		**67**	–
		(5,445)	(281,578)
Total comprehensive income attributable to:			
– Owners of the Company		**(4,606)**	(281,951)
– Minority interests		**67**	–
		(4,539)	(281,951)
Loss per share from continuing and discontinued operations	*16*		
– Basic		**(0.99) cent**	(55.8) cents
– Diluted		**(0.99) cent**	(55.8) cents
Earnings (loss) per share from continuing operations	*16*		
– Basic		**0.96 cent**	(5.01) cents
– Diluted		**0.96 cent**	(5.01) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Plant and equipment	17	**15,292**	17,802
Investment properties	18	**142,246**	–
Interest in an associate	19	**–**	–
Interest in a joint controlled entity	20	**92,691**	–
Goodwill	21	**–**	–
Deposits paid for acquisition of investments	22	**–**	28,275
Available-for-sale financial assets	23	**16,437**	–
Other asset	24	**–**	–
		266,666	46,077
Current assets			
Loan receivables	25	**124,081**	4,723
Convertible bonds designated at financial assets at fair value through profit or loss	26	**46,176**	7,047
Inventories	27	**626**	261
Trade receivables	28	**252**	9,221
Prepayments, deposits and other receivables	29	**101,150**	48,562
Investments held for trading	30	**94,540**	3,281
Bank balances and cash	31	**299,866**	802,629
		666,691	875,724
Assets classified as held for sale	32	**28,444**	–
		695,135	875,724
Current liabilities			
Trade payables	33	**222**	2,544
Accruals and other payables		**4,404**	10,970
Unsecured loans	34	**–**	3,000
Receipts in advance		**359**	567
Taxation		**2,419**	–
		7,404	17,081
Liabilities directly associated with assets classified as held for sale	32	**3,859**	–
		11,263	17,081
Net current assets		**683,872**	858,643
Total assets less current liabilities		**950,538**	904,720

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liability			
Deferred taxation	35	**5,665**	–
		944,873	904,720
Capital and reserves			
Share capital	37	**564**	537
Reserves		**926,974**	904,183
		927,538	904,720
Minority interests		**17,335**	–
Total equity		**944,873**	904,720

The consolidated financial statements on pages 37 to 133 were approved and authorised for issue by the Board of Directors on 26 March 2010 and are signed by:

Chan Shui Sheung Ivy
Director

Yeung Sau Han Agnes
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Share premium	Contributed surplus	Share options reserve	Investment revaluation reserve	Capital reserve (note)	Warrant reserve	Exchange translation reserve	Accumulated losses	Equity attributable to owners of the Company	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	–	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	489	2,772,497	7,914	34,357	–	–	–	320	(1,693,710)	1,121,867	–	1,121,867
Other comprehensive expenses for the year	–	–	–	–	–	–	–	(373)	–	(373)	–	(373)
Loss for the year	–	–	–	–	–	–	–	–	(281,578)	(281,578)	–	(281,578)
Total comprehensive expenses for the year	–	–	–	–	–	–	–	(373)	(281,578)	(281,951)	–	(281,951)
Issue of new shares, net of share issue expenses *(Note 37(b))*	50	68,175	–	–	–	–	–	–	–	68,225	–	68,225
Share repurchased and cancelled, net of share repurchase expenses *(Note 37(a))*	(2)	(3,419)	–	–	–	–	–	–	–	(3,421)	–	(3,421)
Share option cancelled	–	–	–	(30,767)	–	–	–	–	30,767	–	–	–
At 31 December 2008 and 1 January 2009	537	2,837,253	7,914	3,590	–	–	–	(53)	(1,944,521)	904,720	–	904,720
Other comprehensive income (expenses) for the year	–	–	–	–	951	–	–	(45)	–	906	–	906
(Loss) profit for the year	–	–	–	–	–	–	–	–	(5,512)	(5,512)	67	(5,445)
Total comprehensive income (expenses) for the year	–	–	–	–	951	–	–	(45)	(5,512)	(4,606)	67	(4,539)
Deemed partial disposal of subsidiaries	–	–	–	–	–	6,898	–	–	–	6,898	2,657	9,555
Acquisition of assets through acquisition of subsidiaries *(Note 43(b))*	–	–	–	–	–	–	–	–	–	–	14,611	14,611
Issue of non-listed warrants *(Note 36)*	–	–	–	–	–	–	3,300	–	–	3,300	–	3,300
Issue of shares on acquisition of a subsidiary *(Note 37(c))*	27	17,199	–	–	–	–	–	–	–	17,226	–	17,226
At 31 December 2009	564	2,854,452	7,914	3,590	951	6,898	3,300	(98)	(1,950,033)	927,538	17,335	944,873

note: The capital reserve represents the difference between the capital contribution by minority interests and the relevant share of the carrying value of a subsidiary's net assets by the minority interests.

THE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax from continuing operations	13,511	(25,298)
Loss before tax from discontinued operations	(10,872)	(256,197)
Profit (loss) before tax	2,639	(281,495)
Adjustments for:		
Interest income	(2,790)	(20,372)
Finance costs	3	22
Dividend income received from investments held for trading	(15)	–
Depreciation of plant and equipment	2,556	1,688
Loss on disposal of plant and equipment	679	440
Impairment loss recognized in respect of goodwill	–	103,001
Impairment loss recognized in respect of other receivables	–	2,050
Impairment loss recognized in respect of loan receivables	3,823	151,980
Share of loss of a jointly controlled entity	4,028	–
Share of loss of an associate	23	–
Gain on disposal of an investment property	(15,123)	–
Gain on disposal of subsidiaries	(980)	(6,194)
Gain on disposal of an associate	(94)	–
Fair value changes in investment properties	(27,432)	–
Loss arising from fair value changes of investments held for trading	13,048	1,902
Gain arising from fair value changes of convertible bonds designated at financial assets at fair value through profit or loss	(17,529)	(715)
Loss on disposal of investments held for trading	–	92
Reversal of impairment loss made in respect of trade receivables	(52)	(646)
(Reversal of allowance) allowance for inventories	(80)	30
Operating cash flows before movements in working capital	(37,296)	(48,217)
(Increase) decrease in inventories	(285)	57
(Increase) decrease in loan receivables	(123,181)	3,000
Decrease (increase) in trade receivables	4,255	(5,929)
Decrease in prepayments, deposits and other receivables	6,106	7,231
Increase in investments held for trading	(53,987)	–
Decrease in trade payables	(2,322)	(1,533)
(Decrease) increase in accruals and other payables	(8,228)	9,272
(Decrease) increase in receipts in advance	(208)	11
NET CASH USED IN OPERATING ACTIVITIES	(215,146)	(36,108)

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Acquisition of investment properties		**(234,115)**	–
Deposits paid for acquisition of potential investments		**(99,324)**	(73,275)
Net cash outflow from acquisition of assets through acquisition of subsidiaries, net of acquisition cost	43	**(91,023)**	–
Acquisition of convertible bond		**(21,600)**	(6,332)
Acquisition of available for sales investment		**(15,486)**	–
Purchase of plant and equipment		**(1,870)**	(16,132)
Net cash outflow from acquisition of subsidiaries, net of acquisition cost	44	**(1)**	(100,271)
Investment in an associate		**(1)**	–
Proceeds from disposal of an investment property		**134,424**	–
Refund of deposits paid for acquisition of potential investment/receivables in respect of a terminated acquisition in previous years		**45,000**	–
Net cash inflow from disposal of subsidiaries	45	**4,557**	6,000
Interest received		**2,790**	20,372
Proceeds on disposal of an associate		**150**	–
Proceeds on disposal of plant and equipment		**47**	922
Dividend income received from investments held for trading		**15**	–
Proceeds on disposal of investments held for trading		**–**	20,483
NET CASH USED IN INVESTING ACTIVITIES		**(276,437)**	(148,233)
FINANCING ACTIVITIES			
Capital contribution from minority shareholders		**9,555**	–
Proceeds from issue of warrants, net of issue expenses		**3,300**	–
Interest paid		**(3)**	(22)
Proceeds from issue of shares, net of shares issue expenses		**–**	68,225
Payment on repurchase of shares		**–**	(3,421)
Repayment to the obligations under finance leases		**–**	(813)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**12,852**	63,969
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(478,731)**	(120,372)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**802,629**	923,380
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE		**(47)**	(379)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**323,851**	802,629
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Bank balances and cash		**299,866**	802,629
Bank balances and cash included in assets classified as held for sales		**23,985**	–
		323,851	802,629

1. GENERAL

China Railway Logistics Limited (the "Company") was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in note 47.

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

In 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 (the "HKICPA").

Hong Kong Accounting Standards ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting conditions and cancellation
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating segments
HK (IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – INT 13	Customer Loyalty Programmes
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estates
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operations
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

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

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.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has changed the basis of measurement of the Group's segment profit or loss (see note 8). However, the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments.

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

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter[5]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
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 Requirements[6]
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

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

The adoption 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 recognized 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 the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 and by the Hong Kong Companies Ordinance.

Basis of 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 statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Gain or loss on deemed disposal of partial interests in subsidiaries represents the increase or decrease, respectively in the Group's share of the respective subsidiary's net assets and adjusted for the release of goodwill and reserves attributable to such change and are recognized in profit or loss.

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority'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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with the owners of the Group. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity ("capital reserve").

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

For the purpose 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 recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Investments in associates

An associate is 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 recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized 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 cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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 recognized 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.

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities 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 jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognized at the date of acquisition is recognized as goodwill. Goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the jointly controlled entity. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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 recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities *(Continued)*

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (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, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the exchange translation reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Financial instruments

Financial assets and financial liabilities are recognized 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(i) Financial assets

The Group classifies its financial assets into one of the following categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized 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 recognized on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

Convertible bonds acquired by the Group (including related embedded derivates) are designated at financial assets at fair value through profit or loss on initial recognition. Subsequent to initial recognition, the entire convertible bond are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade receivables, other receivables 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 loss on 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 FVTPL, 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 recognized 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 and loss (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment loss on financial assets

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

For 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 loan receivables, 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 recognized 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, 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 recognized in profit or loss. When a loan receivable, 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.

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 recognized, the previously recognized 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 recognized.

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 recognized in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequent reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(ii) Financial liabilities and equity *(Continued)*

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 recognized on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables and unsecured loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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

Warrants

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

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognized in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognized in warrant reserve will be transferred to the retained profits/accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(iii) Derecognition

Financial assets are derecognized 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 recognized in other comprehensive income is recognized in profit or loss.

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

Borrowing costs

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

Retirement benefits scheme contribution

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

Share based payments

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 equity (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 recognized in profit or loss, with a corresponding adjustment to share option reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share based payments *(Continued)*

Share options granted to employees *(Continued)*

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

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognized as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

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 lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment *(Continued)*

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 derecognized 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 derecognized.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. 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 asset) is included in the consolidated statement of comprehensive income in the year in which the item is derecognized.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probably and the assets or disposal groups are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Revenue recognition

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

Revenue from sales of goods is recognized when the goods are delivered and title has passed.

Revenue from sales or properties is recognized when the risks and rewards of properties are transferred to the purchaser, that is upon execution of binding sales agreement or completion of development, whichever is the later.

Rental income from investment properties, leasing of telecommunication and computer telephony equipment recognized on a straight-line basis over the respective period of the leases.

Service fees income is recognized when services are provided.

Revenue from sales of financial assets at fair value through profit or loss is recognized when the significant risks and rewards have been passed and is on a trade date basis.

Interest income from loan financing business and 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.

Dividend income from investments including financial assets at fair value through profit or loss is recognized when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income taxes

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized 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 liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, an associate and jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets other than goodwill (see the accounting policy in respect of goodwill)

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make 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 recognized 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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.

Estimated 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$103,001,000 has been recognized in the consolidated statement of comprehensive income.

Estimated impairment loss on loan receivables

Loan receivables are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount. During the year ended 31 December 2009, an impairment loss of approximately HK$3,823,000 (2008: HK$151,980,000) have been recognized in the consolidated statement of comprehensive income.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value of convertible bonds designated at financial assets at fair value through profit or loss

The fair value of the convertible bonds involves assumptions on the issuer's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation.

5. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Available-for-sale financial assets	**16,437**	–
FVTPL		
– Investments held for trading	**94,540**	3,281
– Convertible bonds designated at FVTPL	**46,176**	7,047
	140,716	10,328
Loans and receivables (including bank balances and cash)	**524,199**	817,744
	681,352	828,072
Financial liabilities		
Other financial liabilities measured at amortised cost		
– trade payables	**222**	2,544
– accruals and other payables	**4,404**	10,970
– unsecured loans	**–**	3,000
	4,626	16,514

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity, trade receivables, other receivables, loan receivables, deposits paid for acquisition of potential investments, bank balances and cash, financial assets at fair value through profit or loss (including investments held for trading and convertible bonds designated at FVTPL), trade payables, accruals and other payables, unsecured loans and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price 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 Renminbi ("RMB") since certain of the revenue of the Group are derived from operations in the People's Republic of China ("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. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in United States dollars ("USD").

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% (2008: 5%) in exchange rate of HK$ against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% (2008: 5%) change in foreign currency rates.

	2009	2008
	HK$'000	HK$'000
Increase (decrease) in loss for the year		
– if HK$ weakens against RMB	**2**	123
– if HK$ strengthens against RMB	**(2)**	(123)
– if HK$ weakens against USD	**(7,161)**	(11,397)
– if HK$ strengthens against USD	**7,161**	11,397

A change of 5% in exchange rate of HK$ against RMB and USD does not affect other components of equity except the exchange translation reserve.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(ii) Interest rate risk

The Group's exposure to changes in interest rate risk is mainly attributable to its loan receivables, convertible bonds and bank balances. Bank balances at variable-interest rate expose the Group to cash flow interest-rate risk, while loan receivables and convertible bonds at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the beginning of the year and all other variables were held constant, the Group's loss after tax and accumulated losses would decrease/increase by approximately HK$3,238,000 (2008: HK$8,026,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate bank deposits.

The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investments in funds and convertible bonds designated at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and on fund investments quoted by the financial institutions.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities and unlisted investments in funds included in investments held for trading had been 10% (2008: 10%) higher (lower), the post-tax loss for the year ended 31 December 2009 would decrease (increase) by approximately HK$9,454,000 (2008: approximately HK$328,000) as a result of the changes in financial assets at fair value through profit or loss.

For unlisted investments in funds included in available-for-sale financial assets, if the prices of the respective equity instruments had been 10% higher (lower), the investment revaluation reserve as at 31 December 2009 would increase (decrease) by approximately of HK$1,643,000 (2008: nil).

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 recognized financial assets 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 receivables 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk *(Continued)*

In respect of loan receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 72% (2008: 71%) and 96% (2008: 91%) of the total trade and other receivables were due from the Group's largest customer and the five largest customers respectively.

In respect of the loan receivables, 30% of the total loan receivables as at 31 December 2009 was due from the Group's largest loan receivable and 100% of the total loan receivables as at 31 December 2009 was due from the Group's five largest customers for the Group's loan financing business.

However, the directors of the Company consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

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

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of the total trade receivables as at 31 December 2009 and 2008.

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's exposure to liquidity risk is minimal.

6. 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 drawn up based on 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.

	Less than 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000
2009			
Non-derivative financial liabilities			
Trade payables	**222**	**222**	**222**
Accruals and other payables	**4,404**	**4,404**	**4,404**
	4,626	**4,626**	**4,626**
2008			
Non-derivative financial liabilities			
Trade payables	2,544	2,544	2,544
Accruals and other payables	10,970	10,970	10,970
Unsecured loan	3,000	3,000	3,000
	16,514	16,514	16,514

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rate.

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

Fair value measurements recognized in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value measurements recognized in the statement of financial position *(Continued)*

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
– listed equity securities	91,158	–	–	91,158
– unlisted investment in funds	–	3,382	–	3,382
– convertible bonds designated at FVTPL	–	46,176	–	46,176
Available-for-sale financial assets				
– unlisted investment in funds	–	16,437	–	16,437
	91,158	65,995	–	157,153

There have no transfers between levels 1 and 2 during the reporting period.

Loss arising from fair value changes of investments held for trading of approximately of HK$13,048,000 was included in profit or loss for the year.

Included in other comprehensive income in an amount of approximately of HK$951,000 fair value gain relate to unlisted investment in funds included in available-for-sale financial assets held at the end of the reporting period and is reported as changes of "investment revaluation reserve":

7. OTHER INCOME

The analysis of the Group's other income is as follows:

Continuing operations	**2009** **HK$'000**	2008 HK$'000
Bank interest income	**2,787**	20,372
Reversal of impairment loss made in respect of trade receivables	**46**	608
Dividend income received from investments held for trading	**15**	–
Penalty income *(Note)*	**1,800**	–
Others	**37**	680
	4,685	21,660

Note:

Penalty income represents the charge to the seller who failed to execute a sales and purchase agreement in respect of acquisition of a property located in the PRC.

8. TURNOVER AND 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.

8. TURNOVER AND 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	–	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
Telecommunications	–	provision of supply, development and integration of telecommunications and computer telephony system and solutions
Computer telephony	–	leasing of telecommunications equipments and computer telecommunications and computer telephony system and provision of consulting and maintenance services
Logistics	–	provision of logistics services and no active business during the two years ended 31 December 2009
Properties investments	–	investment in properties for rental income purpose
Securities trading	–	trading of securities
Loan financing	–	provision of financing services

During the year, the operations of logistics, telecommunications, one-stop value chain services, voice portal and KM systems were discontinued subsequent to the disposal of subsidiaries or the date of classification of discontinued operation. Details of the discontinued operations are set out in note 12.

Properties investments, securities trading and loan financing were the new operation segments for the year ended 31 December 2009.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns and properties sold and services rendered by the Group and rental income received and receivable during the year. The following is an analysis of the Group's turnover and results by reportable segment from continuing operations:

	2009	2008
	HK$'000	HK$'000
Turnover		
– Computer telephony	**6,334**	8,403
– Properties investments	**–**	–
– Securities trading	**–**	–
– Loan financing	**2,582**	–
	8,916	8,403
Segment results		
– Computer telephony	**(681)**	1,501
– Properties investments	**43,858**	–
– Securities trading	**(16,018)**	–
– Loan financing	**(187)**	–
	26,972	1,501
Unallocated corporate expenses	**(16,576)**	(47,149)
Unallocated corporate income	**4,624**	20,372
Gain on disposal of subsidiaries/associates	**2,545**	–
Share of loss of an associate	**(23)**	–
Share of loss of a jointly controlled entity	**(4,028)**	–
Finance costs	**(3)**	(22)
Profit (loss) before tax	**13,511**	(25,298)

The accounting policies of the reportable segment are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of central administration costs, directors' emoluments, interest income, gain on disposal of subsidiaries/associates, share of loss of an associate/jointly controlled entity and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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:		
– Computer telephony	1,376	5,318
– Properties investments	142,879	–
– Securities trading	90,523	–
– Loan financing	124,339	–
Total segment assets	359,117	5,318
Assets related to discontinued operations	28,444	11,793
Unallocated corporate assets	574,240	904,690
Consolidated total assets	961,801	921,801
Segment liabilities		
Continuing operations		
– Computer telephony	2,292	1,902
– Properties investments	118	–
– Securities trading	16	–
– Loan financing	55	–
Total segment liabilities	2,481	1,902
Liabilities related to discontinued operations	3,859	3,616
Unallocated corporate liabilities	10,588	11,563
Consolidated total liabilities	16,928	17,081

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, available-for-sale financial assets, interest in a jointly controlled entity, goodwill, deposits paid for acquisition of potential investments, convertible bonds designated at financial assets at fair value through profit or loss and bank balances and cash; and

- all liabilities are allocated to reportable segments other than unsecured loans and other payables.

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2009

	Continuing operations				Discontinued operations						
	Computer telephony	Properties investments	Securities trading	Loan financing	Voice portal	One-stop value chain services	KM systems	Tele-communications	Logistics	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'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 on segment assets											
Depreciation on plant and equipment	107	–	–	–	–	216	801	43	–	1,389	2,556
Additions to non-current assets	–	234,115	–	158	–	–	–	–	–	1,712	235,985
Reversal of impairment loss made in respect of trade receivables	(46)	–	–	–	–	–	–	(6)	–	–	(52)
Impairment loss recognized in respect of loan receivables	–	–	–	–	–	–	–	–	–	3,823	3,823
Reversal of allowance for inventories	(80)	–	–	–	–	–	–	–	–	–	(80)
Loss on disposal of plant and equipment	–	–	–	–	–	–	–	–	–	679	679
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:											
Interest revenue	(1)	(30)	(2)	–	–	(3)	–	–	–	(2,754)	(2,790)
Interest expense	–	–	–	–	–	–	–	–	–	3	3
Income tax expense	–	8,084	–	–	–	–	–	–	–	–	8,084
Interest in a jointly controlled entity	–	–	–	–	–	–	–	–	–	92,691	92,691
Share of loss of an associate	–	–	–	–	–	–	–	–	–	23	23
Share of loss of a jointly controlled entity	–	–	–	–	–	–	–	–	–	4,028	4,028

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2008

	Continuing operations	Discontinued operations						
	Computer telephony HK$'000	Voice portal HK$'000	One-stop value chain services HK$'000	KM systems HK$'000	Tele-communications HK$'000	Logistics HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss on segment assets								
Depreciation of on plant and equipment	161	647	552	34	43	–	251	1,688
Additions to non-current assets	8	–	–	–	–	–	16,124	16,132
Reversal of impairment loss made in respect of trade receivables	(608)	–	–	–	(38)	–	–	(646)
Allowance for inventories	30	–	–	–	–	–	–	30
Loss on disposal of plant and equipment	–	–	–	–	–	–	440	440
Impairment loss recognized in respect of other receivables	–	–	–	–	–	–	2,050	2,050
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Impairment loss recognized in respect of goodwill	–	–	103,001	–	–	–	–	103,001
Impairment loss recognized in respect of a loan receivable	–	–	–	–	–	151,980	–	151,980
Interest revenue	(8)	(102)	–	–	(2)	(857)	(19,403)	(20,372)
Interest expense	–	–	–	–	–	–	22	22
Income tax expense	–	–	83	–	–	–	–	83

8. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in the PRC and Hong Kong.

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	**8,916**	8,378	**112,729**	45,935
PRC	**–**	25	**153,937**	142
	8,916	8,403	**266,666**	46,077

Information about major customers

No customer with whom transactions have exceeded 10% of the Group's aggregate revenue during the years ended 31 December 2009 and 2008.

9. FINANCE COSTS

Continuing operations	**2009**	2008
	HK$'000	HK$'000
Interest expenses on:		
– bank overdrafts	**3**	–
– obligations under finance leases	**–**	22
	3	22

10. PROFIT (LOSS) BEFORE TAX

	2009 HK$'000	2008 HK$'000
Profit (loss) before tax has been arrived at after charging (crediting):		
Continuing operations		
Staff costs including directors' emoluments:		
Salaries and allowances	**15,090**	19,894
Contributions to retirement benefits scheme	**369**	487
	15,459	20,381
Auditors' remuneration		
Current year	**600**	550
Underprovision for prior year	**–**	200
Depreciation of plant and equipment	**107**	161
Impairment loss recognized in respect of other receivables	**–**	2,050
Impairment loss recognized in respect of loan receivables	**3,823**	–
Loss on disposal of investments held for trading	**–**	92
Minimum lease payments under operating leases	**3,134**	4,417
Loss on disposal of plant and equipment	**679**	440
Net foreign exchange loss	**15**	1,580
(Reversal of allowance) allowance for inventories (included in cost of sales)	**(80)**	30
Cost of inventories recognized as an expense	**3,104**	3,144

11. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Continuing Operations		
Current tax:		
Hong Kong	**2,419**	–
PRC	**–**	–
	2,419	–
Deferred taxation (note 35)	**5,665**	–
	8,084	–

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 is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No change of tax rate is applied for those high and new technology enterprises ("HNTE").

According to the relevant PRC tax regulations, HNTE operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax ("EIT") rate of 15%. Certain subsidiaries are recognized as HNTE and accordingly, are subject to EIT at 15%. The recognition as a HNTE is subject to a review on every three years by the relevant government bodies.

11. INCOME TAX EXPENSE *(Continued)*

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

	2009 **HK$'000**	2008 HK$'000
Profit (loss) before tax from continuing operations	**13,511**	(25,298)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**2,229**	(4,174)
Tax effect of share of loss of an associate	**664**	–
Tax effect of share of loss of a jointly controlled entity	**4**	–
Tax effect of expenses not deductible for tax purpose	**7,825**	9,091
Tax effect of income not taxable for tax purpose	**(3,760)**	(4,029)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**997**	(24)
Tax effect of tax loss not recognized	**103**	–
Tax effect of deductible temporary differences not recognized	**22**	–
Utilisation of deductible temporary differences not recognized	**–**	(221)
Effect of change in tax rate	**–**	(357)
Utilisation of tax losses previously not recognized	**–**	(286)
Tax charge for the year (relating to continuing operations)	**8,084**	–

11. INCOME TAX EXPENSE *(Continued)*

The principal components of the Group's deferred tax assets not provided for, on the cumulative temporary differences at the end of the reporting period are as follows:

	Other temporary differences HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 January 2008	293	5,970	6,263
Effect of change in tax rate	(16)	(341)	(357)
Movement for the year	(221)	(286)	(507)
At 31 December 2008 and 1 January 2009	56	5,343	5,399
Movement for the year	22	103	125
At 31 December 2009	78	5,446	5,524

No deferred tax assets attributable to other temporary differences and tax losses of the Group have been recognized for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and temporary difference of approximately HK$33,006,000 (2008: HK$32,382,000) and HK$473,000 (2008: HK$339,000) respectively.

12. DISCONTINUED OPERATIONS

Since the logistics segment had been inactive for the past two years, the directors of the Company decided to abandon the logistics segment in 2009 and considered the logistics segment became a discontinued operation.

On 29 June 2009, the Group entered into a sale and purchase agreement to dispose of a subsidiary, Proactive International Limited ("Proactive International") which was engaged in the telecommunication business. The disposal was completed on 2 July 2009, on which date control of Proactive International passed to the acquirer.

12. DISCONTINUED OPERATIONS *(Continued)*

On 9 December 2009, the Group completed the disposal of Chineseroad Incorporated ("Chineseroad") and its subsidiaries (collectively "Chineseroad Group"), 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.

The operation of one-stop value chain services segment was presented as discontinued operation upon the classification of the related assets and liabilities as assets classified as held for sale and liabilities directly associates with assets classified as held for sale respectively (see note 32).

The loss for the period from the discontinued operation up to the date to the disposal of subsidiaries or the date of classification of discontinued operation, are analysed as follows:

	2009	2008
	HK$'000	HK$'000
Loss of the discontinued operations for the year:		
– voice portal	**(405)**	(2,546)
– KM systems	**(690)**	(594)
– telecommunications	**(80)**	(1,075)
– logistics	**–**	(151,980)
– one-stop value chain services	**(10,472)**	(106,279)
	(11,647)	(262,474)
Gain (loss) on disposal of discontinued operations:		
(see note 45)		
– voice portal division and KM systems	**1,148**	–
– telecommunications	**(373)**	–
– logistics	**–**	6,194
	775	6,194
	(10,872)	(256,280)

12. DISCONTINUED OPERATIONS *(Continued)*

The results of the discontinued operations for the period from January 2009 to the respective disposal dates or the date of classification of discontinued operation, which have been included in the consolidated statement of comprehensive income, were as follows:

For the year ended 31 December 2009

	Voice portal HK$'000	KM systems HK$'000	Tele-communications HK$'000	Logistics HK$'000	One-stop value chain services HK$'000	Consolidated HK$'000
Revenue	–	–	2,563	–	35,844	38,407
Cost of sales	–	–	(2,196)	–	(34,940)	(37,136)
Gross profit	–	–	367	–	904	1,271
Other income	–	–	4	–	3	7
Administrative expenses	(405)	(690)	(451)	–	(11,379)	(12,925)
Loss before tax	(405)	(690)	(80)	–	(10,472)	(11,647)
Income tax expense	–	–	–	–	–	–
Loss for the year from discontinued operations	(405)	(690)	(80)	–	(10,472)	(11,647)
Net cash from (used in) operating activities	715	308	(340)	–	(7,726)	(7,043)
Net cash from (used in) investing activities	–	–	337	–	(692)	(355)
Net cash inflow (outflow)	715	308	(3)	–	(8,418)	(7,398)

12. DISCONTINUED OPERATIONS *(Continued)*

For the year ended 31 December 2008

	Voice portal HK$'000	KM systems HK$'000	Tele-communications HK$'000	Logistics HK$'000	One-stop value chain services HK$'000	Consolidated HK$'000
Revenue	787	–	4,766	–	7,900	13,453
Cost of sales	(479)	–	(3,961)	–	(7,400)	(11,840)
Gross profit	308	–	805	–	500	1,613
Other income	18	–	38	–	–	56
Distribution and selling expenses	(5)	–	–	–	–	(5)
Administrative expenses	–	(594)	(1,918)	–	(3,778)	(6,290)
Impairment loss recognized in respect of goodwill	–	–	–	–	(103,001)	(103,001)
Impairment loss recognized in respect of available-for-sale investment	(2,784)	–	–	–	–	(2,784)
Impairment loss recognized in respect of a loan receivable	–	–	–	(151,980)	–	(151,980)
Loss before tax	(2,463)	(594)	(1,075)	(151,980)	(106,279)	(262,391)
Income tax expense	(83)	–	–	–	–	(83)
Loss for the year from discontinued operations	(2,546)	(594)	(1,075)	(151,980)	(106,279)	(262,474)
Net cash from (used in) operating activities	12,097	(230)	(509)	–	(2,762)	8,596
Net cash (used in) from investing activities	(10)	–	1,560	–	(340)	1,210
Net cash inflow (outflow)	12,087	(230)	1,051	–	(3,102)	9,806

13. DIRECTORS' EMOLUMENTS

	2009	2008
	HK$'000	HK$'000
Executive Directors:		
Fees	**–**	–
Salaries and other benefits *(Note 1)*	**1,970**	6,175
Discretionary bonus *(Note 2)*	**480**	84
Contributions to retirement benefits scheme	**24**	47
Payments for loss of office	**–**	2,038
	2,474	8,344
Independent Non–Executive Directors:		
Fees	**785**	824
	3,259	9,168

Note 1:

Other benefits include housing allowance.

No directors waived his emoluments for each of year ended 31 December 2009 and 2008. No incentive payment and compensation was paid or payable to two executive directors for the year 2009. (2008: compensation of approximately HK$2,038,000 for loss of office was paid to three executive directors).

Note 2:

Discretionary bonus is determined by individual performance.

13. DIRECTORS' EMOLUMENTS *(Continued)*

The details of directors' remuneration of each director for the two years ended 31 December 2009 and 2008 are set out below:

For the year ended 31 December 2009

Name of directors	Non–executive directors' fees HK$'000	Executive directors' salaries HK$'000	Payments for loss of office HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Yeung Sau Han, Agnes	–	960	–	240	12	1,212
Chan Shui Sheung, Ivy	–	960	–	240	12	1,212
Law Wing Tak, Jack *(Notes 1&6)*	100	–	–	–	–	100
Yuen Wai Man *(Note 6)*	240	–	–	–	–	240
Lam Shiu Cheung, Raymond *(Notes 2&6)*	111	–	–	–	–	111
Lam Ka Wai, Graham *(Note 6)*	240	–	–	–	–	240
Xie Jintai *(Notes 3&5)*	50		–	–	–	50
Wang Chin Mong, Jimmy *(Notes 4&6)*	94	–	–	–	–	94
	835	1,920	–	480	24	3,259

Notes:

1. Retired on 29 May 2009
2. Resigned on 17 June 2009
3. Resigned on 31 May 2009
4. Appointed on 10 August 2009
5. The non-executive director
6. The independent non-executive director

13. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2008

Name of directors	Non–executive directors' fees HK$'000	Executive directors' salaries HK$'000	Payments for loss of office HK$'000	Discretionary bonus HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Lim Kwok Choi, Roger *(Note 1)*	–	1,735	1,080	–	10	2,825
Yeung Sau Han, Agnes *(Note 2)*	–	628	–	52	8	688
Chan Shui Sheung, Ivy *(Note 3)*	–	341	–	32	5	378
Chan Ho Wah, Terence *(Notes 11&16)*	200	–	–	–	–	200
Law Wing Tak, Jack *(Notes 12&16)*	118	–	–	–	–	118
Yuen Wai Man *(Notes 12&16)*	118	–	–	–	–	118
Lam Shiu Cheung, Raymond *(Notes 13&16)*	6	–	–	–	–	6
Lam Ka Wai, Graham *(Notes 13&16)*	6	–	–	–	–	6
Xie Jintai *(Note 4)*	3	–	–	–	–	3
Ha Shu Tong *(Note 5)*	–	335	–	–	3	338
Koh Tat Lee, Michael *(Note 6)*	–	1,492	–	–	5	1,497
Zeng Bangjian *(Note 7)*	–	93	–	–	3	96
Ng Kam Wing, Peter *(Note 8)*	–	620	240	–	7	867
Lok Shing Kwan, Sunny *(Notes 9&16)*	46	931	718	–	6	1,701
Leung Lok Ming *(Notes 15&16)*	81	–	–	–	–	81
Chong Cha Hwa *(Notes 14&16)*	123	–	–	–	–	123
Wong Wing Ho, James *(Notes 10&16)*	123	–	–	–	–	123
	824	6,175	2,038	84	47	9,168

Notes:

1. Resigned on 6 October 2008
2. Appointed on 8 May 2008
3. Appointed on 25 August 2008
4. Appointed as non-executive director on 22 December 2008
5. Appointed on 4 January 2008 and resigned on 11 March 2008
6. Resigned on 20 May 2008
7. Resigned on 28 April 2008
8. Resigned on 28 July 2008
9. Re–designated as executive director on 10 March 2008 and resigned on 25 August 2008
10. Previously independent non–executive director and appointed as executive director on 8 May 2008 and resigned on 4 July 2008
11. Resigned on 27 October 2008
12. Appointed on 4 July 2008
13. Appointed on 22 December 2008
14. Resigned on 4 July 2008
15. Retired on 2 May 2008
16. The independent non–executive director

14. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two directors (2008: four directors) of the Company, whose emoluments have been included in note 13 above. The emoluments of the remaining three individuals for the year ended 31 December 2009 (2008: one individual) were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and allowances	**2,356**	1,335
Contributions to retirement benefits scheme	**43**	10
	2,399	1,345

Their emoluments were within the following bands:

	2009 **No. of employees**	2008 No. of employees
Below HK$1,000,000	**2**	–
HK$1,000,001to HK$1,500,000	**1**	1

15. DIVIDEND

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

16. EARNINGS (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	**(5,512)**	(281,578)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**555,900,301**	504,674,656
Effect of dilutive potential ordinary shares:		
Non-listed warrants	**1,186,750**	N/A
Share options	**–**	–
	557,087,051	504,674,656

Diluted loss per share for the each of the year ended 31 December 2009 and 2008 is the same as basic loss per share as the conversion of the Company's outstanding share options would result in a decrease in loss per share.

16. EARNINGS (LOSS) PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

From continuing operations

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

	2009	2008
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(5,512)**	(281,578)
Less: loss for the year from discontinued operations	**10,872**	256,280
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	**5,360**	(25,298)

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

The computation of diluted earnings per share for continuing operations for the year ended 31 December 2009 does not assume the exercise of the Company's share options because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the year ended 31 December 2009. Diluted loss per share for continuing operations for the year ended 31 December 2008 is the same as basic loss per share as the conversion of the Company's outstanding share options would result in a decrease in loss per share.

From discontinued operations

Basic loss per share for the discontinued operations is HK1.96 cents per share (2008: HK50.78 cents per share), based on the loss for the year from the discontinued operations of HK$10,872,000 (2008: HK$256,280,000) and the denominators detailed above for basic loss per share.

Diluted loss per share for discontinued operations for each of the year ended 31 December 2009 and 2008 is the same as basic loss per share as the conversion of the Company's outstanding share options/non-listed warrants would result in a decrease in loss per share.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer Equipment HK$'000	Equipment on lease to customers HK$'000	Equipment for development HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
Cost								
At 1 January 2008	–	2,262	2,548	229	815	1,247	–	7,101
Acquisition of subsidiary	36	6	1,662	–	–	–	–	1,704
Exchange adjustment	(2)	(4)	(82)	–	42	–	–	(46)
Additions	–	39	91	–	–	1,992	14,010	16,132
Disposals	–	(464)	(7)	(41)	(491)	(1,790)	–	(2,793)
Transfer	–	120	–	(120)	–	–	–	–
At 31 December 2008 and 1 January 2009	34	1,959	4,212	68	366	1,449	14,010	22,098
Exchange adjustment	–	2	22	–	–	–	–	24
Additions	97	1,487	284	–	–	2	–	1,870
Acquired on acquisition of subsidiaries	–	38	–	–	–	–	–	38
Disposals	–	(656)	(116)	–	–	–	–	(772)
Disposal of subsidiaries	–	(15)	–	–	–	–	–	(15)
Classified as assets held for sale	(59)	(694)	(249)	–	–	(352)	–	(1,354)
At 31 December 2009	72	2,121	4,153	68	366	1,099	14,010	21,889
Depreciation								
At 1 January 2008	–	1,216	1,730	150	746	249	–	4,091
Exchange adjustment	–	(3)	(49)	–	–	–	–	(52)
Charge for the year	9	294	1,110	–	57	218	–	1,688
Transfer	–	42	–	(42)	–	–	–	–
Eliminated on disposals	–	(464)	(7)	(41)	(491)	(428)	–	(1,431)
At 31 December 2008 and 1 January 2009	9	1,085	2,784	67	312	39	–	4,296
Exchange adjustment	–	2	20	–	–	–	–	22
Charge for the year	31	180	553	1	17	300	1,474	2,556
Eliminated on disposals	–	(32)	(14)	–	–	–	–	(46)
Classified as assets held for sale	(15)	(94)	(40)	–	–	(82)	–	(231)
At 31 December 2009	25	1,141	3,303	68	329	257	1,474	6,597
Net carrying values								
At 31 December 2009	47	980	850	–	37	842	12,536	15,292
At 31 December 2008	25	874	1,428	1	54	1,410	14,010	17,802

17. PLANT AND EQUIPMENT *(Continued)*

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

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer equipment	30%
Equipment on lease to customers	30%
Equipment for development	30%
Motor vehicles	30%
Vessel	10%

18. INVESTMENT PROPERTIES

	HK$'000
Additions	234,115
Disposal	(119,301)
Increase in fair value	27,432
At 31 December 2009	142,246
Investment properties held under medium–term leases	
– leasehold land and buildings in Hong Kong	81,000
– buildings in the PRC	61,246
	142,246

During the year, the Group entered into a provisional sale and purchase agreement in respect of acquisition of an investment property situated in Hong Kong in consideration of HK$119,301,000. Before the completion of the provisional sale and purchase agreement, the Group disposed the investment property for a consideration of approximately HK$134,424,000 (net of cost directly related to the disposal).

The fair value of the Group's investment properties located in Hong Kong at 31 December 2009 have been arrived at on the basis of a valuation carried out on that date by Jointgoal Surveyors Limited ("Jointgoal Surveyors"), an independent firm of professional property valuers not connected with the Group. Jointgoal Surveyors has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

For the Group's investment properties located in the PRC, the valuation was carried out by Malcom & Associates Appraisal Limited ("Malcom & Associates"), an independent firm of professional property valuers not connected with the Group. Malcom & Associates has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. For properties situated in Hong Kong and the PRC, the valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

19. INTEREST IN AN ASSOCIATE

	2009 HK$'000	2008 HK$'000
Cost of investment in an associate – unlisted in the PRC	**377**	377
Share of post–acquisition losses	**(377)**	(377)
	–	–

During the year ended 31 December 2009, the Group acquired 46% equity interests in 廣東振戎石油化工有限公司 ("振戎石油") and 20% equity interests in Sauna De Palais Limited ("Sauna De"), through the acquisition of assets and liabilities of Great Hill Trading Limited ("Great Hill") as disclosed in note 42(a). 振戎石油 is incorporated in the PRC with limited liability and is inactive. Sauna De is incorporated in Hong Kong with limited liability and is engaged in provision of entertainment business.

During the year ended 31 December 2009, the Group acquired 49% equity interests in FDC Limited ("FDC") in consideration of US$1.00. The interests in FDC was included in the assets classified as held for sale as disclosed in note 32.

In September 2009, the Group disposed of Sauna De to an independent third party for a consideration of HK$150,000.

In October 2009, the Group disposed 振戎石油 through the disposal of its holding company, Welford International Industrial Limited ("Welford") as disclosed in noted 45.

As at 31 December 2009, the Group had interests in the following associate:

Name	Form of business structure	Place of incorporation and operations	Particulars of issued/paid–up capital	Percentage of effective equity interest attributable to the Group	Principal activity
Beijing Teletron System Integration Company Limited ("Beijing Teletron")	Limited liability company	PRC	Paid-up capital	40%	Inactive

19. INTEREST IN AN ASSOCIATE *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Total assets	**227**	220
Total liabilities	**(2,378)**	(2,323)
Net liabilities	**(2,151)**	(2,103)
Group's share of net liabilities of the associates	**–**	–
Revenue	**–**	–
Loss for the year	**(179)**	(314)
Group's share of result of an associate for the year	**(23)**	–

The Group has discontinued recognizing of its share of loss of Beijing Teletron since the Group's share of loss of the associate has exceeded its interest in this associate. The amount of unrecognized share of the associate, extracted from the summarised financial information in respect of the Group's associate is set out below:

	2009 HK$'000	2008 HK$'000
Unrecognized share of loss of Beijing Teletron for the year	**26**	126
Accumulated unrecognized share of loss of Beijing Teletron	**749**	723

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009 HK$'000
Cost of unlisted investments in a jointly controlled entity	96,719
Share of post–acquisition loss	(4,028)
	92,691

During the year, the Group acquired 14% equity interests in Changsha Xinxing Development Limited ("Changsha Xinxing") for a consideration of approximately HK$26,260,000 and acquired 40% equity interests in Changsha Xinxing through the acquisition of 75% equity interests in Gold Wide Holdings Limited ("Gold Wide") (see note 43(b)).

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

Name	Form of business structure	Place of incorporation and operations	Particulars of issued/paid–up capital	Percentage of effective equity interest attributable to the Group	Principal activity
Changsha Xinxing	Limited liability company	PRC	Paid up capital RMB35,000,000	44%	Provision of catering, entertainment services, rental of hotel rooms and office premises and property management

20. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The summarised of the audited financial information in respect of the Group's interests in the jointly controlled entity which are accounted for using the equity method is set out below:

	2009 HK$'000
Total assets	227,192
Total liabilities	(88,706)
Net assets	138,486
Group's share of net assets of the jointly controlled entity	74,782
Revenue	–
Loss for the period	8,493
Group's share of loss of the jointly controlled entity for the period	4,028

21. GOODWILL

	HK$'000
Cost	
Arising on acquisition of a subsidiary	103,001
At 31 December 2008 and 31 December 2009	103,001
Impairment	
Impairment loss recognized	103,001
At 31 December 2008 and 31 December 2009	103,001
Carrying values	
At 31 December 2009	–
At 31 December 2008	–

Impairment testing on goodwill

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 goodwill has been allocated to one CGU, a subsidiary in the voice portal, KM systems and one–stop value chain services segment.

The carrying amounts of goodwill (net of accumulated impairment losses) as at the end of the reporting period allocated to following unit are as follows:

	2009 **HK$'000**	2008 HK$'000
Voice portal, KM systems and one–stop value chain services segment	**–**	–

21. GOODWILL *(Continued)*

Impairment testing on goodwill *(Continued)*

The basis of the recoverable amounts of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of this unit had been determined based on the value in use calculation of the subsidiary China Eco–Farming Limited ("CEF") (formerly known as "Linefan Technology Holdings Limited"). The value in use calculation was based on the cash–flow projection of the relevant financial budgets approved by the management covering a period of five–year. The discount rate applied to the cash flow projection is 8% and cash flows beyond the five–year period were extrapolated using a zero growth rate. Based on these, the directors of the Company considered that the recoverable amount of the Group's investment in CEF as at 31 December 2008 was less than of the carrying value of CEF as a CGU. Accordingly, an impairment loss in respect of the full amount of goodwill of HK$103,001,000 was recognized in the consolidated financial statements of the Group for the year ended 31 December 2008.

22. DEPOSITS PAID FOR ACQUISITION OF INVESTMENTS

	2009	2008
	HK$'000	HK$'000
Deposits paid	–	28,275

The balance as at 31 December 2008 represents RMB25,000,000 (approximately HK$28,275,000) paid as a refundable deposit. The Group entered into a non–legally binding memorandum of understanding with the shareholder of Gold Wide, to (i) acquire 14% registered share capital in Changsha Xinxing and (ii) subscribe 75% of the issued capital of Gold Wide as enlarged by the allotment and issue of the 30,000 new shares of Gold Wide. Gold Wide is an investment holding company and Changsha Xinxing is engaged in the provision of catering, entertainment services, rental of hotel rooms and office premises and property management.

The directors of the Company consider this investment can diversify the Group's investments to different businesses and reduce concentration of investment risks.

Subsequent to year end 31 December 2008, the Group had entered into the formal agreement. As the formal agreement was signed subsequent to 31 December 2008, the deposits paid were classified as non–current assets of the Group as at 31 December 2008. During the year ended 31 December 2009, the deposit was utilised as partial payment of the consideration for the acquisition of Gold Wide.

23. AVAILABLE–FOR–SALE FINANCIAL ASSETS

Available–for–sale financial assets comprise:

	2009 HK$'000	2008 HK$'000
Unlisted investment in funds, at fair value	16,437	–

The Group's unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2009 '000	2008 '000
USD	2,121	–

24. OTHER ASSET

The other asset represents a golf club membership of approximately HK$286,000 is measured at cost and was fully impaired in the previous year.

25. LOAN RECEIVABLES

	2009 HK$'000	2008 HK$'000
Secured loan receivables	98,873	–
Unsecured loan receivables	29,031	4,723
Loan receivable from a former subsidiary	151,980	151,980
	279,884	156,703
Less: Impairment loss recognized	(155,803)	(151,980)
	124,081	4,723

The secured loan receivables are secured by listed equity shares, convertible bonds and unlisted shares, and bear interest at a rate ranging from 8% to 10% per annum.

25. LOAN RECEIVABLES *(Continued)*

The unsecured loan receivables bear interest at a rate ranging from 4% to 8% (2008: 4%) per annum. An unsecured loan receivable of HK$25,208,000 is guaranteed by an outside party.

The following table illustrates ageing analysis of loan receivables (net of impairment loss) as of the end of the reporting period:

	2009 HK$'000	2008 HK$'000
Within 3 months	**48,378**	4,723
More than 3 months but less than 6 months	**25,274**	–
More than 6 months but less than 12 months	**50,429**	–
	124,081	4,723

The Group's financial advances to customers included in the loan receivables are due as of the due date specified in respective loan agreements. Further details on the Group's credit policy are set out in note 6.

All the loans receivable as at 31 December 2009 and 2008 were neither past due nor impaired, and are related to a number of independent customers that have strong financial background. Management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

As at 31 December 2009, the Group held collateral with value of approximately HK$105,143,000 (2008: nil) in total over the secured loans to customers.

25. LOAN RECEIVABLES *(Continued)*

The movement of impairment loss of loan receivables during the reporting period is as follows:

	2009	2008
	HK$'000	HK$'000
At 1 January	**151,980**	–
Impairment loss recognized	**3,823**	151,980
At 31 December	**155,803**	151,980

During the year ended 31 December 2009, impairment loss on loan receivable of HK$3,823,000 was recognized in the consolidated statement of comprehensive income. The receivable related to bankruptcy of the customer and management assessed that the entire receivable is expected to be irrecovered.

During the year ended 31 December 2008, after the disposal of Eternity Profit Investments Limited ("Eternity"), the amount due from Eternity to the Group of approximately HK$151,980,000 was recorded as a loan receivable of the Group, and based on the legal advice and updated from Portstar Enterprises Limited ("Portstar"), the purchaser of Eternity, an independent third party, the directors considered the possibility of recovery of the loan receivable was remote and impossible, and accordingly full impairment loss in respect of the loan receivable was recognized in the year ended 31 December 2008.

Included in the disposal of equity interests in Eternity is a call option for the Group to buy back Eternity if the sale of debts of HK$151,980,000 cannot be completed by 31 December 2009 (or a later date as mutually agreed). As more fully explained in the circular issued on 2 December 2008, the completion of the disposal of debts of HK$151,980,000 is subject to, among other things, the release of monies currently subject to a court injunction and being freezed in CR Onway Freight Logistics and Transport Company Limited, a joint venture set up by the Group under Eternity, as at the date of disposal, on or before 31 December 2009 or any later date being agreed later with Portstar. Pursuant the supplemental agreement dated 30 December 2009, the Company and Portstar agreed to extend the completion date from "31 December 2009 or such later date as the relevant parties to the Disposal Agreement may agree in writing" to "31 December 2010 or such later date as the relevant parties to the Disposal Agreement may agree in writing". The details of which are set out in the announcement of the Company dated 30 December 2009.

26. CONVERTIBLE BONDS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	HK$'000
Convertible bonds designated at financial assets at fair value through profit or loss	**46,176**	7,047

During the year ended 31 December 2009, the Group acquired a two–year 3% coupon rate convertible bond with a principal amount of HK$21,600,000 issued by China Agrotech Holdings Limited ("CAHL"), a company listed on the Main Board of the Stock Exchange. The convertible bond can be converted, in an amount of not less than HK$3,000,000, into new ordinary shares of CAHL at any time within a period of two years following the date of issue at a conversion price of HK$0.90 per share.

During the year ended 31 December 2008, the Group acquired a two–year 2% coupon rate convertible bond with a principal amount of HK$5,000,000 issued by Asia Energy Logistics Group Limited ("AELG") (formerly known as "China Sciences Conservational Power Limited") from a subsidiary of Heng Xin China Holdings Limited ("Heng Xin"), in which Yeung Sau Han Agnes, a director of the Company, is also one of the directors of Heng Xin. Both AELG and Heng Xin are companies listed on the Main Board of the Stock Exchange. The convertible bond can be converted, in an amount of not less than HK$1,000,000, into new ordinary shares of AELG at any time within a period of two years following the date of issue at a conversion price of HK$0.05 per share.

A fair value gain of approximately HK$17,529,000 was recorded for the year ended 31 December 2009 (2008: HK$715,000).

26. CONVERTIBLE BONDS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Binominal option pricing model is used for valuation for the convertible bonds designated at financial assets at fair value through profit or loss. The inputs into the model of each convertible bond as at 31 December 2009 and 2008 were as follows:

	2009	2008
AELG		
Stock price	**HK$0.18**	HK$0.08
Conversion price	**HK$0.05**	HK$0.05
Volatility	**73.98%**	66.44%
Dividend yield	**0%**	0%
Option life (years)	**0.75**	1.75
Risk free rate	**0.192%**	0.478%

	2009	2008
CAHL		
Stock price	**HK$0.83**	N/A
Conversion price	**HK$0.90**	N/A
Volatility	**77.1%**	N/A
Dividend yield	**0%**	N/A
Option life (years)	**1.43**	N/A
Risk free rate	**0.4%**	N/A

27. INVENTORIES

	2009 HK$'000	2008 HK$'000
Inventories consisted of:		
Telecommunications and computer telephony hardware products	**706**	421
Less: Allowance for obsolete and slow–moving inventories	**(80)**	(160)
	626	261

During the year, the inventories which had been written down to net realisable value in prior years have been sold. As a result, a reversal of allowance for inventories of approximately HK$80,000 (2008: nil) has been recognized and included in cost by sales in the current year.

28. TRADE RECEIVABLES

	2009 HK$'000	2008 HK$'000
Account receivables	**805**	9,929
Retention receivables	**375**	272
	1,180	10,201
Less: Impairment loss recognized	**(928)**	(980)
	252	9,221

The Group normally grants to its customers credit period ranging from 30 days to 180 days. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date.

	2009 HK$'000	2008 HK$'000
Within 90 days	**170**	8,207
91 – 180 days	**32**	356
181 – 365 days	**82**	1,377
Over 365 days	**896**	261
	1,180	10,201

As at 31 December 2009, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$37,000 (2008: HK$737,000) 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.

28. TRADE RECEIVABLES *(Continued)*

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
Over 3 months	**37**	–
Total	**37**	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.

The movements in provision for impairment losses of trade receivables were as follows:

	2009 **HK$'000**	2008 HK$'000
At 1 January	**980**	1,626
Written back of impairment loss made in previous years	**(52)**	(646)
At 31 December	**928**	980

At the end of each reporting period, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognized based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognized.

The Group's trade receivables are denominated in currencies other than the functional currency as follows:

	2009 **'000**	2008 '000
Renminbi ("RMB")	**–**	1,421

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2009 HK$'000	2008 HK$'000
Receivables in respect of a terminated acquisition	*a*	**–**	20,000
Deposits paid for acquisition of potential investments:			
Project A	*b*	**–**	25,000
Project B	*c*	**19,324**	–
Project C	*d*	**70,000**	–
Project D	*e*	**10,000**	–
Prepayments		**693**	818
Rental and utility deposits		**649**	1,573
Other receivables		**484**	1,171
		101,150	48,562

Notes:

(a) As at 31 December 2008, Mr. Lin Chun Kuei, an independent third party, has pledged 100,000,000 shares of Peaktop International Holdings Limited, a company listed on the Main Board of the Stock Exchange, for the receivables in respect of a terminated acquisition in the amount of HK$20,000,000. The receivables were subsequent settled in 2009.

(b) As at 31 December 2008, the Group paid an earnest deposit of HK$25,000,000 for an acquisition in which the formal agreement was signed after 31 December 2008. The deposit was carried forward to other potential investments after year end pursuant to another memorandum of understanding. The earnest deposit was subsequent refunded in 2009.

(c) On 14 July 2009, China Seed Investment Limited ("China Seed"), an indirectly wholly–owned subsidiary of the Company, entered into a non–legally binding memorandum of understanding with two individual independent third parties, in relation to the acquisition of 42% equity interests in 海南南莊農業有限公司 ("海南南莊"), a company which engaged in harvesting exotic fruits, such as Lychees and Longans, pursuant to the memorandum of understanding, China Seed paid RMB17,000,000 (approximately HK$19,324,000) as refundable deposit.

(d) On 28 August 2009, Winner Performance Limited ("Winner Performance"), an indirectly wholly–owned subsidiary of the Company entered into a non–legally binding memorandum of understanding with an independent third party ("MOU"), in relation to the exclusive right for the purchase of 34% equity interests in 廣東振戎能源有限公司 ("廣東振戎") ("Exclusive Right"), 廣東振戎 is engaged in energy and natural resources related business.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Pursuant the MOU, HK$70,000,000 was paid by Winner Performance to the independent third party as refundable deposit.

(e) On 26 November 2009, Top Mega Asia Limited ("Top Mega"), an indirectly wholly–owned subsidiary of the Company, entered into a procurement agreement with an independent third party, in relation to the acquisition of a potential investment in country club development. The Group paid earnest deposit of HK$10,000,000 for this potential investment.

30. INVESTMENTS HELD FOR TRADING

Investments held for trading consisted of:

	2009 **HK$'000**	2008 HK$'000
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**91,158**	–
Unlisted investment in funds, at fair value	**3,382**	3,281
	94,540	3,281

The fair values of the above listed securities and unlisted funds are determined based on the quoted market bid prices available on the relevant exchanges and quoted prices provided by the financial institutions, respectively.

The Group's unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2009 **'000**	2008 '000
USD	**436**	420

31. BANK BALANCES AND CASH

Bank balances carry interest at market rate at 0.01% (2008: range from 0.01% to 0.07%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2009	2008
	'000	'000
Amounts denominated in:		
RMB	**39**	151

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	2009	2008
	'000	'000
Pound Sterling	**1**	1
Euro	**–**	1
USD	**16,023**	29,028

32. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As disclosed in note 48(b), the private sale of 150,000,000 Convertible Preference Shares of CEF ("CP Share") have been completed on 29 January 2010, and the holders of the CP Share have exercised the conversion right to convert into 1,500,000,000 new ordinary share of CEF, and the Group's interest in CEF has been diluted from 58.87% to 22.27%. The management of the Company consider with the potential placees have been actively located before the year ended 31 December 2009, and in accordance with HKFRS 5 "Non-Current Assets Held For Sale and Discontinued Operations" issued by HKICPA, the remaining business segment of CEF, being the one-stop value chain services was required to be presented as discontinued operations and the related assets and liabilities were classified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively. The following amounts represent the Group's 58.87% share of the assets and liabilities of CEF as at 31 December 2009, which are presented separately in the consolidated statement of financial position at 31 December 2009.

	HK$'000
Plant and equipment	1,123
Interest in an associate	1
Trade and other receivables, deposits and prepayments	3,335
Bank balances and cash	23,985
Total assets classified as held for sale	28,444
Trade and other payables and accruals	859
Unsecured loans	3,000
Total liabilities directly associated with assets classified as held for sale	3,859
Minority interests of CEF	2,657

33. TRADE PAYABLES

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

	2009 HK$'000	2008 HK$'000
Within 60 days	175	635
61 to 120 days	47	358
121 to 365 days	–	656
Over 365 days	–	895
	222	2,544

The Group's trade payables are denominated in currencies other than the functional currency as follows:

	2009 '000	2008 '000
RMB	–	1,604

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

34. UNSECURED LOANS

Unsecured loans represent loans from the following parties:

	2009	2008
	HK$'000	HK$'000
Mr. Dai Fan ("Mr. Dai") *(Note a)*	–	2,000
Ms. Lu Wen Bin ("Ms. Lu") *(Note b)*	–	1,000
	–	3,000

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

At 31 December 2009, the unsecured loans of HK$3,000,000 have been included in the liabilities directly associated with assets classified as held for sale as disclosed in note 32.

Notes:

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

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

On 11 August 2009, Chineseroad, a subsidiary of the Group received a writ of summons against Chineseroad by Mr. Dai and Ms. Lu in respect of alleged loan payments totaling HK$3,000,000 by Mr. Dai and Ms. Lu to Chineseroad (the "Claim"). Chineseroad has filed a defense 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 Chineseroad. Mr. Dai and Ms. Lu accepted HK$2,700,000 as final settlement.

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

35. DEFERRED TAXATION

The following are the major deferred tax liability recognized and movements thereon during the current reporting period

	Fair value changes in investment properties HK$'000
Charge to profit or loss for the year and at 31 December 2009	**5,665**

36. NON-LISTED WARRANTS

On 10 June 2009, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 110,000,000 warrants of the Company to independent investors at a price of HK$0.05 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.001 each at a subscription price of HK$1.40. Pursuant to the supplement agreement dated 8 September 2009, the warrants price was amended from HK$0.05 to HK$0.03 per warrant and the exercise price was amended from HK$1.40 to HK$0.80 per warrant. The placement was completed on 20 November 2009 with the warrants expiring on 19 November 2012. Details of the above are set out in the Company's announcements dated 10 June 2009, 8 September 2009, 9 November 2009 and 20 November 2009.

No warrant had been exercised during the year ended 31 December 2009.

At 31 December 2009, the Company had outstanding 110,000,000 warrants to be exercised at any time on or before 19 November 2012. Exercise in full of such warrants would result in the issue of approximately 110,000,000 additional ordinary shares of HK$0.001 each, which represents 16.32% of the enlarged share capital of the Company after the warrants exercised.

37. SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January 2008, 31 December 2008 and 31 December 2009	100,000,000	100,000
Issued and fully paid ordinary shares of HK$0.001 each		
At 1 January 2008	489,314	489
Shares repurchased on 28 January 2008 *(Note a)*	(2,000)	(2)
Issue of shares on 28 August 2008 *(Note b)*	50,000	50
Ordinary shares of HK$0.001 each at 31 December 2008 and 1 January 2009	537,314	537
Issue of shares on acquisition of a subsidiary *(Note c)*	26,500	27
Ordinary shares of HK$0.001 each at 31 December 2009	563,814	564

Notes:

(a) On 28 January 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.001 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
January 2008	2,000,000	3.79	1.32	3,421

The above shares were cancelled upon repurchase and accordingly, the issued capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company as set out in the consolidated statement of changes in equity.

(b) On 28 August 2008, 50,000,000 new shares of HK$0.001 each were issued, for consideration of HK1.4 per share. The proceeds after net of share issue expenses were approximately HK$68,225,000.

(c) Pursuant to a sale and purchase agreement dated 23 January 2009, 26,500,000 new shares of HK$0.001 each were issued at the market value on the completion date as consideration shares to the vendor as part of the purchase consideration for the acquisition of Great Hill.

All the above shares rank pari passu in all respect with the existing ordinary shares in issue.

38. SHARE OPTION SCHEME

The Company has adopted a Share Option Scheme on 3 May 2000 ("Share Option Scheme"), pursuant to which it may grant options to employees (including executive directors) and consultants of the Group to subscribe for shares in the Company. Pursuant to the Share Option Scheme, options were granted on 30 June 2000 to executive directors and other employees of the Group to subscribe for an aggregate of 19,420,000 shares in the Company at a price of HK$1.30 per share, during the exercise period from 1 July 2003 to 30 June 2010.

Pursuant to resolutions passed at a special general meeting of the shareholders held on 13 November 2002, the Company terminated the Share Option Scheme and adopted a new share option scheme ("New Share Option Scheme") in order to comply with the new requirements of Chapter 23 of the GEM Listing Rules effective on 1 October 2001. Under the terms of the New Share Option Scheme, the board of directors of the Company may, at their discretion, grant options to the participants fall within the definition prescribed in the New Share Option Scheme including the employees, non–executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non–executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5 million must be approved by the Company's shareholders.

The New Share Option Scheme will remain in force for a period of 10 years from 13 November 2002. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Exercise of share options

No share options had been granted or exercised during the year ended 31 December 2009 and 2008 under the New Share Option Scheme.

38. SHARE OPTION SCHEME *(Continued)*

Movements of the share options during the year ended 31 December 2009 were:

For the year ended 31 December 2009

	Date of grant	Exercisable period	Subscription price per share HK$	Number of share options: Outstanding at 1 January 2009	Granted during the year	Cancelled/ lapsed during the year	Outstanding at 31 December 2009
Employees	**3/4/2007**	**3/4/2007– 2/4/2017**	**7.35**	**1,000,000**	**–**	**–**	**1,000,000**
Consultants	**3/4/2007**	**3/4/2007– 2/4/2017**	**7.35**	**1,200,000**	**–**	**–**	**1,200,000**
				2,200,000	**–**	**–**	**2,200,000**

Movements of the share options during the year ended 31 December 2008 were:

For the year ended 31 December 2008

	Date of grant	Exercisable period	Subscription price per share HK$	Number of share options: Outstanding at 1 January 2008	Granted during the year	Cancelled/ lapsed during the year	Outstanding at 31 December 2008
Directors	3/4/2007	3/4/2007– 2/4/2017	7.35	10,590,000	–	(10,590,000)	–
Employees	3/4/2007	3/4/2007– 2/4/2017	7.35	1,300,000	–	(300,000)	1,000,000
Consultants	3/4/2007	3/4/2007– 2/4/2017	7.35	1,500,000	–	(300,000)	1,200,000
				13,390,000	–	(11,190,000)	2,200,000

39. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	2009	2008
	HK$'000	HK$'000
Within one year	**220**	220

Operating lease receipts represent rentals receivable by the Group for certain of equipment. Both leases are negotiated and rentals are fixed for one year.

The Group as lessee

The Group had commitments for future minimum lease payments in respect of premises under various non–cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**2,135**	3,162
In the second to fifth year inclusive	**1,548**	2,669
	3,683	5,831

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Both leases are negotiated and rentals are fixed for an average of three years.

40. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC representative office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries are charged as expenses when the employees have rendered services entitling to them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the mandatory provident fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' cash income with the maximum contribution by each of the Group and the employees limited to HK$1,000 per month.

40. RETIREMENT BENEFITS SCHEMES *(Continued)*

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$476,000 (2008: HK$487,000). There were no material forfeitures available to offset the Group's future contributions for the two years ended 31 December 2009 and 2008.

41. RELATED PARTY TRANSACTIONS

(a) Compensation of directors and 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
Short–term benefits	**6,333**	9,121
Other long–term benefits	**68**	47
Share–based payment	**–**	–
	6,401	9,168

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(b) Save as disclosed in the consolidated statement of financial position and respective notes, the Group did not enter into any significant related party transactions.

42. MAJOR NON–CASH TRANSACTIONS

(a) Part of the consideration for the purchase of a subsidiary during the year ended 31 December 2009 comprised shares. Further details of the acquisition are set out in note 43(a).

(b) Subsequent to the completion of acquisition of Great Hill, the loan receivable was settled by 68,000,000 shares of Byford ("Byford Shares"), as at the date of transfer, the closing price of Byford shares was HK$0.74 per share, directors of the Company consider the fair value of the Byford Shares was approximately HK$50,320,000 being the carrying amount of the loan receivable. The Byford Shares were subsequently recognized as investments held for trading.

43. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2009

(a) During the year, the Group acquired the entire interests in Great Hill from an independence third party which was mainly holding a loan receivable for a cash consideration of approximately HK$50,320,000, which was satisfied by HK$37,000,000 and an aggregate of 26,500,000 new shares of the Company. The acquisition had been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

Assets and liabilities acquired:

	HK$'000
Plant and equipment	38
Interest in associates	1,599
Other receivables	2,246
Bank balances and cash	35
Loan receivable	50,320
Accruals and other payables	(12)
	54,226
Total consideration satisfied by:	
Cash	37,000
Issue of new shares	17,226
	54,226
Analysis of net outflow of cash and cash equivalents arising on acquisition of assets through a subsidiary:	
– Bank balances and cash acquired	35
– Cash paid	(37,000)
	(36,965)

43. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2009 *(Continued)*

(b) During the year, the Group directly acquired 14% equity interests in Changsha Xining and 40% equity interests in Changsha Xining through the acquisition of 75% equity interests in Gold Wide from an independent third party. Total considerations of the above transactions were approximately HK$82,320,000, which was satisfied by cash. The acquisition had been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

Assets and liabilities acquired:

	2009 HK$'000
Interests in a jointly controlled entity	96,719
Prepayment, deposit and other receivables	5,700
Bank overdrafts	(13)
Accruals and other payable	(21)
Amount due to former director	(5,454)
	96,931
Minority interests	(14,611)
Total consideration satisfied by cash	82,320
Analysis of net outflow of cash and cash equivalents arising on acquisition of assets through a subsidiary:	
– Bank overdrafts acquired	(13)
– Deposits paid in previous year	28,275
	(54,058)

44. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2009

During the year, the Group acquired the entire interests in Fortune Investment and Excel Return from certain independent third parties at a consideration of approximately HK$1,000. The fair values of identifiable assets and liabilities of the above companies as at its date of acquisition, which has no significant difference from its carrying amount, are as follows:

Net assets acquired	**Total HK$'000**
Other receivables	**146**
Accruals and other payable	**(133)**
Amount due to former director	**(12)**
	1
Total cash consideration and net cash outflow arising on acquisition	**(1)**

The acquisition of Fortune Investment and Excel Return did not contribute significantly to the Group's turnover or operating results.

For the year ended 31 December 2008

On 21 August 2008, the Group acquired 69.54% issued share capital of CEF for a consideration of HK$121,604,000, including direct costs of approximately HK$7,904,000. This acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$103,001,000.

The acquisition contributed revenue of approximately HK$8,687,000 and loss of approximately HK$2,993,000 attributable to the owners of the Company for the period from the date of completion to 31 December 2008. If the acquisition was completed on 1 January 2008, the acquisition would have contributed revenue of approximately HK$10,832,000 and a loss of approximately HK$20,021,000 attributable to the owners of the Company for the year ended 31 December 2008. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

For the details, please refer to the circular of the Company dated on 30 September 2008.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2008 *(Continued)*

The fair values of net assets acquired in the transaction and the goodwill arising are as follows:

	Acquiree's carrying amounts and fair values HK$'000
Net assets acquired:	
Plant and equipment	1,704
Trade receivables	1,172
Prepayments, deposits and other receivables	498
Bank balances and cash	21,333
Trade payables	(1,822)
Accruals and other payables	(1,282)
Unsecured loan	(3,000)
	18,603
Goodwill	103,001
	121,604
Satisfied by:	
Cash consideration	113,700
Direct costs	7,904
	121,604
Net cash outflow arising on acquisition:	
Cash consideration	121,604
Less: bank balances and cash acquired	(21,333)
	100,271

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2008 *(Continued)*

The goodwill arising on the acquisition is attributable to its anticipated potential profitability and historical industry growth in relation to the business at the time of which the transaction was negotiated. However, after the acquisition, the market sentiment had significantly deteriorated and the directors of the Company are of the opinion that their previous expectation on the performance and profitability of the acquired business cannot be met. As a result, the goodwill was fully impaired at 31 December 2008.

45. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2009

On 19 January 2009, the Group entered into a conditional sale and purchase agreement with General Win International Limited, an independent third party, to dispose of the entire equity interests in Money Holder Limited ("Money Holder") in consideration of HK$1,200,000. Upon completion on 19 January 2009, the Group ceased to hold any equity interest in Money Holder.

On 29 June 2009, the Group entered into a conditional sale and purchase agreement with Best Access Investment Holdings Limited, an independent third party, to dispose of the entire equity interests in Proactive International and its shareholder's loan in consideration of HK$1,000,000. Upon completion on 2 July 2009, the Group ceased to hold any equity interest in Proactive International.

On 29 September 2009, the Group entered into an agreement with Skycomm International Limited, an independent third party, to dispose of the entire equity interests in Chineseroad Group and its shareholder's loan in consideration of HK$300,000. Upon completion on 9 December 2009, the Group ceased to hold any equity interests in Chineseroad.

On 16 October 2009, the Group entered into a conditional sale and purchase agreement with Jet Top Holdings Limited, an independent third party, to dispose of the entire equity interests in Welford International Industrial Limited ("Welford") and its shareholder's loan in consideration of HK$4,000,000. Upon completion on 21 October 2009, the Group ceased to hold any equity interests in Welford.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2009 *(Continued)*

The consolidated net assets (liabilities) of Money Holder, Proactive International, Chineseroad Group and Welford at the respective date of disposal are as follows:

	Money Holder HK$'000	Proactive International HK$'000	Chineseroad Group HK$'000	Welford HK$'000	Total HK$'000
Net assets (liabilities) disposed of:					
Plant and equipment	–	–	15	–	15
Interest in an associate	–	–	–	1,520	1,520
Trade receivables	–	305	1,371	–	1,676
Prepayments, deposits and other receivables	1,229	2	–	2,246	3,477
Bank balances and cash	–	1,853	90	–	1,943
Shareholder's loan	–	(3,616)	(65,216)	(17,027)	(85,859)
Accruals and other payables	–	(787)	(2,324)	–	(3,111)
	1,229	(2,243)	(66,064)	(13,261)	(80,339)
Assignment of debt	–	3,616	65,216	17,027	85,859
(Loss) gain on disposal	(29)	(373)	1,148	234	980
Total consideration	1,200	1,000	300	4,000	6,500
Satisfied by:					
Cash	1,200	1,000	300	4,000	6,500
Net cash inflow (outflow) arising on disposals:					
Cash consideration	1,200	1,000	300	4,000	6,500
Bank balances and cash disposed of	–	(1,853)	(90)	–	(1,943)
	1,200	(853)	210	4,000	4,557

The disposal of the subsidiaries did not result in significant impact on the Group's cash flow or operating results for the year.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2008

During the year ended 31 December 2008, the Group disposed of the entire equity interest in Eternity to Portstar. For the period from 1 January 2008 to the date of completion, Eternity did not contribute any turnover and contributed a loss of approximately HK$769,000 to the Group from its operations.

The details of disposal are set out in a circular issued by the Company dated 2 December 2008.

	HK$'000
Net liabilities disposed of:	
Investment deposit	151,980
Prepayment, deposits and other receivables	1,255
Bank balances and cash	95
Accruals and other payables	(1,449)
Loan from former holding company	(151,980)
	(99)
Gain on disposal	6,194
Cash consideration	6,095
Net cash inflow arising on disposal:	
Cash consideration	6,095
Bank balances and cash disposed of	(95)
	6,000

The disposal of the subsidiary did not result in significant impact on the Group's cash flow or operating results for the year.

46. DEEMED PARTIAL DISPOSAL OF SUBSIDIARIES

On 29 May 2009, CEF entered into a placing agreement with a placing agent in relation to a placement of 14,000,000 new ordinary shares to independent investors under general mandate of CEF at a price of HK$0.70 per share (the "Placing"). Placing was completed on 9 November 2009 in accordance with the terms and conditions of the Placing Agreement. The Group's interest in CEF has been diluted from approximately 69.54% to approximately 58.87%. The amount of approximately HK$6,898,000 was recognized in the capital reserve.

47. SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2009 are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Proactive Technology Limited	Hong Kong	Ordinary	HK$1,000,000	100%	Provision of telecommunications and computer telephony solutions
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	100%	Investment holdings
First Champion Worldwide Limited	British Virgin Islands ("BVI")	Ordinary	USD1,000	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	100%	Provision of management services
Luck Bloom International Limited	Hong Kong	Ordinary	HK$1	100%	Cash management
Oasis Choice Holdings Limited	BVI	Ordinary	USD1	100%	Holding of investment property
Top Galaxy (Asia) Limited	Hong Kong	Ordinary	HK$1	100%	Holding vessel
Ultra Million Limited	BVI	Ordinary	USD1,000	100%	Investment holdings
China Eco-Farming Limited *(Note)*	Cayman Islands	Ordinary	HK$9,126,000	58.87%	Engaged in one–stop value chain services
Gold Wide Holdings Limited	Hong Kong	Ordinary	HK$160,000	75%	Investment holdings

Note:

This company is listed on GEM of The Stock Exchange of Hong Kong Limited. Its market capitalisation was approximately HK$905,000,000 as at 31 December 2009.

47. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Honor Wealth International Limited	BVI	Ordinary	US$1,000	100%	Investment in properties for rental income purpose
China Seed Investment Limited	BVI	Ordinary	US$1,000	100%	Investment holdings
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	100%	Provision of financing services
Top Mega Asia Limited	BVI	Ordinary	US$1,000	100%	Investment holdings
Top Status International Limited	BVI	Ordinary	US$1	100%	Investment holdings
Dragon Billion Limited	Hong Kong	Ordinary	HK$1	100%	Investment holdings

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of the year or at any time during the year.

48. EVENT AFTER THE REPORTING PERIOD

(a) On 12 January 2010, Golden Jack Development Limited ("Golden Jack"), a subsidiary of the Group, 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.

(b) On 29 December 2008, the Company 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 Convertible Preference Shares ("CP Shares") of its subsidiary, CEF, at a price of HK$0.53 per CP Share on a best effort basis to potential subscribers. On 15 December 2009, the Company 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 CP Shares of HK$0.01 each of CEF were entitled an annual dividend calculated at 3% of par value of the CP Shares and entitled the holders of CP Shares ("CP Shareholders") 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 of HK$0.10 each of CEF, at the conversion price of HK$0.155 per share, subject to adjustment provisions which are standard terms for convertible securities of similar type. The CP Shareholders shall not have the right to receive notice of, or to attend and vote at, general meeting of CEF, unless a resolution is to be proposed at a general meeting of CEF for winding up CEF or which if passed would vary or abrogate the rights or privileges of the CP Shareholders.

The transaction was completed on 29 January 2010. After the completion of placing of the CP Shares, the CP Shareholders exercised the conversion right to convert into 1,500,000,000 new ordinary shares of CEF. The Group's interest in CEF has been diluted from 58.87% to 22.27%.

48. EVENT AFTER THE REPORTING PERIOD *(Continued)*

(c) Subsequent to 31 December 2009, Top Status International Limited, a wholly–owned subsidiary of the Company, entered into a conditional agreement with China Coalfields International Group Limited (the "Purchaser") for disposal of the Group's 22.27% interests in CEF for a consideration of approximately of HK$175,000,000 to the Purchaser. The disposal is subject to the approval of shareholders of the Company and not completed at date of this report.

(d) Subsequent to 31 December 2009, Winner Performance entered into a settlement agreement with independent third party, principal amount of HK$39,000,000 convertible bond issued by Hembly International Holdings Limited ("Hembly") ("Hembly CB"), a company listed on the Main Board of the Stock Exchange, was transferred to Winner Performance as settlement of the HK$70,000,000 deposits paid. The Hembly CB can be converted, in an amount of not less than HK$1,000,000, into new ordinary shares of Hembly at any time within a period of five years following the date of issue at a conversion price of HK$1.20 per share. The fair value of the Hembly CB at the date of transfer is approximately HK$70,000,000, which was valued by Grant Sherman Appraisal Limited.

RESULTS

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**8,916**	21,856	11,338	11,880	20,982
Cost of sales	**(3,104)**	(14,984)	(5,742)	(5,049)	(11,524)
Gross profit	**5,812**	6,872	5,596	6,831	9,458
	65.2%	31%	49%	58%	45%
Other income	**4,685**	28,625	26,529	1,101	489
Distribution and selling expenses	**(20)**	(28)	(25)	(23)	(34)
Administrative expenses	**(40,247)**	(61,961)	(100,835)	(11,422)	(11,442)
Gain on disposal of an associate	**94**				
Gain on disposal of an investment property	**15,123**	–	–	–	–
Fair value changes in investment properties	**27,432**	–	–	–	–
Loss arising from fair value changes of investments held for trading	**(13,048)**	–	–	–	–
Gain arising from fair value changes of convertible bonds designated at financial assets at fair value through profit or loss	**17,529**	–	–	–	–
Impairment loss recognized in respect of goodwill	**–**	(103,001)	(1,621,794)	–	–
Impairment loss recognized in respect of a loan receivable	**–**	(151,980)	–	–	–
Gain on disposal of subsidiaries	**205**	–	–	–	–
Share of loss of an associate	**(23)**	–	–	–	(198)

RESULTS *(Continued)*

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Share of loss of a jointly controlled entity	**(4,028)**	–	–	–	–
Finance costs	**(3)**	(22)	(108)	136	57
Allowance for amount due from an associate	**–**	–	–	(234)	–
Loss on investments	**–**	–	–	–	(94)
Profit (loss) before tax	**13,511**	(281,495)	(1,690,637)	(3,611)	(1,764)
Income tax expense	**(8,084)**	(83)	–	–	–
Profit (loss) for the year from discontinued operations	**(10,872)**	–	–	–	–
Loss for the year	**(5,445)**	(281,578)	(1,690,637)	(3,611)	(1,764)
Attributable to:					
Owners of the Company	**(5,512)**	(281,578)	(1,690,637)	(3,611)	(1,764)
Minority interests	**67**	–	–	–	–
	(5,445)	(281,578)	(1,690,637)	(3,611)	(1,764)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**266,666**	46,077	158,813	1,522	1,155
Total current assets	**695,135**	875,724	968,460	18,004	12,196
Total current liabilities	**11,263**	(17,081)	(4,752)	(3,542)	(4,616)
Total non-current liabilities	**5,665**	–	(654)	–	–
Equity attributable to owners of the Company	**927,538**	904,720	1,121,867	15,984	8,735
Minority interests	**17,335**	–	–	–	–

SUMMARY OF INVESTMENT PROPERTIES

Address	Lot number	Tenure	Existing use
Hong Kong			
Flat B on 22nd Floor, The Mayfair, No.1 May Road, Hong Kong.	251/17334th parts or shares of and in Inland Lot no. 8410	Medium-term lease	Residential
7th Floor, Block D and Car Port no. 34 on Upper Car Port, 64 Macdonnell Road, Hong Kong.	1/23rd parts or shares of and in Inland Lot no. 8201	Medium-term lease	Residential and residential car parking
PRC			
The Whole of 33rd Floor, Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, The PRC.	–	Medium-term lease (a term of 50 years expiring on 25 June 2050)	Commercial office