Annual Report 2010

PublicHealthcare
中國公共醫療

CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8116)

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

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CORPORATE PROFILE

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

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

AUDITORS

HLM & Co.
Certified Public Accountants
Room 305,
3rd Floor,
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

LEGAL ADVISORS

On Hong Kong Law:

Tang Tso & Lau Solicitors

On Cayman Islands Law:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 2204, 22/F,
Mass Mutual Tower
38 Gloucester Road
Wan Chai, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

8116

Website of the Company

www.chpublic-healthcare.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report the Group's results for the year ended 31 December 2010.

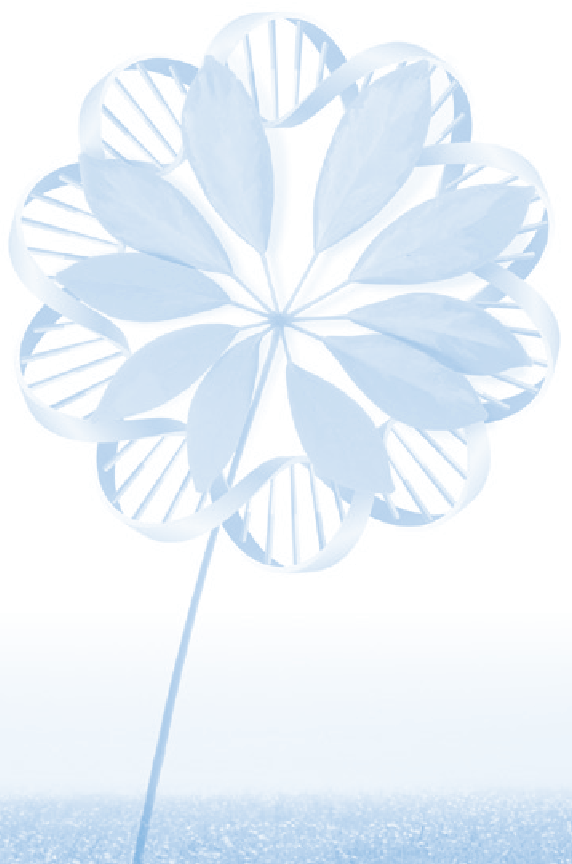
The year 2010 marked an important transition for our Group. In August 2010 the Group completed the disposal process of Hong Kong Chang Kang (Holdings) Limited, the JV partnership with Chongqing Changan Jinling Automobile Parts Co. Ltd. This was the result of the Group's strategic decision to exit the automobile stamping and welding parts segment in order to focus our resources on developing our HIT related business. The RMB47 million cash consideration from the disposal in being used as general working capital to continue our growth in the HIT sector.

The Group's decision to enter the HIT market in 2009 with the acquisition of China Chief Medical Standards Database Co. Ltd. ("CCMSD") and Beijing Upway Science & Technology Development Co. Ltd. ("Upway") has proved to be very successful in 2010. As chairman of the Board of Directors, I am pleased to report that for 2010, we have posted a year ended profit of HK$140 million. This milestone performance is due in total to the concerted effort of the Group's entire team of management and staff. The entry into the HIT market in China was and continues to be a sound strategic move that positions our Group for continued growth in this industry.

The main product platforms of our subsidiaries in HIT have emerged as the industry standard. We are the industry leader in China in Healthcare Information Technology. It is now incumbent upon the Group to take advantage of the earned position and continue to grow consistent with our strategic plan and revenue productions.

Our Group has emerged from 2010's performance with a profound sense of accomplishment and the satisfaction of being the industry leader in HIT. The future is challenging, as it always is. I look forward to working with our team of professionals, business partners, clients, and our base of shareholders as we continue to grow our business in 2011. On behalf of the Board of Directors, I would like to express my appreciation to the Group's efforts in 2010. Well Done!

Stephen William Frostick
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Healthcare information technology in the PRC

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

In the year of 2009, the consideration of convertible bonds in the amount of HK$498 million had been fully converted into 2,964,285,714 ordinary shares.

The National Institute of Hospital Administration ("NIHA") of China and the China National Institute of Standardization were partners in the development of the services. It would accelerate its positioning in Healthcare Information Technology ("HIT") demanded by Chinese hospital system through the products and services provided by its subsidiaries, Upway and CCMSD. The followings are their principal products:

I) ***Electronic Medical Records (EMR) Systems***

The Company has applied its proprietary software and technology to develop the professional medical record templates which are easy to input medical data with high efficiency. The medical records can be directly converted into database format for quick storage. The EMR systems is compatible and can integrate with all sorts of HIT systems. The data transfer is barrier-free. All medical data is scalable to be extracted for multiple search applications. In the opinion of the Board, the technology employed in the Company's products are in leading positions and ahead of the competitors.

The Company is currently working with 2,688 Chinese medical hospitals through the association with various medical science academies. The Company had reached an agreement with Wujieping Fund（吳階平基金會）that both parties would jointly issue the industry technology standard for EMR by Single Disease Category. It is expected that 800 hepatic (liver) medical institutions and 800 nephrology (kidney) medical institutions will use the EMR products that meet the standard.

As at 31 December 2010, the Company's EMR systems recorded a total income of HK$263 millions, in which sales from Chinese Medicine Electronic Health Records by Single Disease Category business amounted to HK$38 million. The EMR piloting work of the Ministry of Health were formally commenced in October 2010. In order to coordinate with the utilization of the matching funds of the national EMR, the original schedule of the EMR system for public hospitals in local regions was delayed, resulting in delay of the Company's intended orders from some hospital clients. As a result, the EMR project sales in the second half year of 2010 were substantially lowered when compared with those in the first half year of 2010. It is expected that the sales volume recovery will be delayed until mid-2011. Sales of EMR by Single Disease Category will also be delayed accordingly until it starts to recover by mid-2011.

II) Regional Public Health Medical System

A) Urban Regional Health Platform

The Company will use its proprietary software and technology to work with local regional healthcare government agencies to establish the regional residents' health archives according to the Ministry of Health in China ("MOHC") requirements and standards. The information will be shared among various local and national health agencies. All the project fees will be borne by local governments. Normally, it will take three years to complete the whole project from designing phase to full scale operation.

From the fourth quarter of 2010, the Company has worked with the following local governments, and such piloting work is expected to complete in the first quarter of 2011:

1) Xizang Autonomous Region
2) Xinjiang Autonomous Region
3) Jiangsu Province
4) Shaanxi Province

Currently, the regional public health system was already conducted its pilot run at municipal and county levels in the above four regions. As at the end of 2010, the system was operating normally. The local governments hope that by the second quarter of 2011, the cities may commence the official installation and operation of the system. The regional public health system as at the end of the year recorded a total income of HK$104 million.

B) Rural Regional Health Platform

The Company is also applying its proprietary systems and products to establish the Rural Regional Health Platform. These projects are developed by subsidiaries which work closely with city health bureaus for 20 years already by using tele-medical technology to provide medical and healthcare services to rural residents. Each tele-medical center will be connected with multiple remote health clinics to provide simple medical diagnoses, personal health checks and medical referrals to city hospitals if necessary. These services will also help to establish the rural EMR system on each individual for local government health agencies simultaneously. The tele-medical center will cost about RMB40 million to build, however, as the Company is licensed and entitled to collect all the fees from the patients and 50% to 80% of all the medical expenses are subsidized by government health agencies. The Company has been working with the followings city health bureaus:

1) City of Fuxin, Liaoning Province
2) City of Danzhou, Hainan Province
3) City of Tongliao, Inner Mongolia
4) The Xinjiang Production and Construction Corps
5) Yanbian Korean Autonomous Prefecture, Jilin Province
6) City of Baoji, Shaanxi Province

The domestic company invested in the City of Fuxin in Liaoning Province set up the Fuxin Tele-medical Service Department. Trial run of the service department was commenced in July 2010. The tele-medical business can cover one million rural population in the City of Fuxin. For rural residents to receive tele-medical diagnosis, a fee of RMB100 will need to be paid, however, 80% of which will be funded by the New Rural Cooperative Medical Insurance Schemes of the City of Fuxin, and the rural residents only need to pay 20%.

For the rural area tele-medical system within the Regional Public Health Medical System, hardware installation had completed in full in City of Fuxin, Liaoning Province in which the operating income was duly recognised under the approval of the local government. The domestic company had signed framework agreements with municipals of Danzhou of Hainan Province and Yanbian Korean Autonomous Prefecture of Jilin Province, and formal agreements were signed in June 2010 to duly commence rural area tele-medical cooperation.

The tele-medical center recorded a total medical service income of HK$5 million as at the end of 2010.

III) Hospital Pre-evaluation Service

The Company's proprietary Hospital Pre-evaluation software meets the requirements and is authorized by NIHA and Chinese Hospital Association. The primary function of the said software is to analyze the hospital management operation deficiencies in conjunction with national renowned hospital management consultants for improvement.

The above mentioned products are aimed at digitizing patients' medical records, matching historical symptoms for suggested diagnosis and prescriptions, whereas the hospital pre-evaluation service is able to aggregate all medical data into standardized and categorized medical analysis for evaluation of cost-benefit efficiency. These products are targeted at better identification and medication of various diseases, more accurate matching of diagnoses and prescriptions, more optimal uses and production of medicines, more economical allocation of hospital resources, and more effective public hygiene management.

The business development coverage of the Healthcare Information Technology includes Beijing, Hebei Province, Liaoning Province, Jilin Province, Shanxi Province, Inner Mongolia, Gansu Province, Xinjiang, Xizang, Hainan Province and Jiangsu Province. The Hospital Pre-evaluation Service shall be undertaken in coordination with the Ministry of Health's 2010 Work Survey on Major Hospitals, which had completed the pre-evaluation work to over 300 hospitals during the year. The service income recorded a total HK$15 million as at the end of 2010.

Mining Business

The Directors are of the view that the mineral resource prices remain bullish in the long term due to the continued demand from developing countries such as the PRC, India and Russia. Thus the outlook for the mining industry in the PRC is promising. The Acquisition represents a good opportunity for the Group to tap into the mining industry. The mining business has not started contributing revenues during the year. It is still subject to revision of production plans.

Convertible bonds in the original principal amount of HK$465 million was issued by the Company and which of HK$241 million were converted in 1 January 2009. The further HK$22 million were substantially converted into 534 million ordinary shares of the Company during 2010. As at 31 December 2010, a principal amount of HK$202 million of convertible bonds were still outstanding with conversion price of HK$0.04.

Automobile stamping and welding

On 4 March 2010, the Group announced that its wholly owned subsidiary, Hong Kong Chang Kang (Holdings) Limited, entered into an agreement on 26 February 2010 with Chongqing Changan Jinling Automobile Parts Co., Ltd., pursuant to which the subsidiary has agreed to sell all of its equity interest, which accounts for 49% in the JV Company at the consideration of RMB47 million in cash. The disposal has been completed in August 2010, the company will not maintain any automobile stamping and welding parts segment. The consideration will be used as general working capital, allowing the Group to focus its resources on its HIT related business which the Group considers should provide better return to the Group.

The profit from discontinued operations for the year ended 31 December 2010 was HK$7 million. The loss represents the gain on disposal the JV company amounted to HK$14 million and loss from its operations for the year amounted to HK$7 million. For the period, the JV Company has sold 597 thousands (for the year 2009: 734 thousands) ancillary stamping and welding parts for automobiles, and recorded sales of approximately HK$819 million (for the year 2009: HK$920 million). The Group has accounted for the sales on proportion and recorded turnover under discontinued operation of HK$401 million and HK$450 million for the period in 2010 and for the year 2009 respectively. Its major customers include ChangAn Auto Co Ltd, ChangAn Ford Mazda, and ChangAn Ford Nanjing Corp etc.

Radio Trunking System Integration

For the year ended 31 December 2010, the radio trunking business did not record any turnover. There was no change in turnover as compared to the turnover in the same period in 2009. The zero turnover of the business was mainly due to the fact that most customers still yet to finalise the terms of software services and the business during the year.

The Group has actively promoted its own digital trunking communication system based on the software technology FDMA system. This facilitated new, existing and potential users to have better understanding towards the features of this technical product while pushed further in market development.

Development of the Group

In 2010, the Group continues to stick with its operation strategy to integrate its resources and make adjustment to its business, the non-performing business will be gradually peeled off through disposal or other means to the same effect, so as to optimize the Group's asset and allocate the limited resources to explore business with brighter prospect, thus pursue the rapid development and healthy growth of the Group's business.

FINANCIAL REVIEW

China Public Healthcare (Holding) Limited delivered a pleasing performance in 2010. With the advantage of the Healthcare Reform Directive issued by the China government in 2009, the medical electronics market was able to continue its growth impetus carried forward from 2009, the Group, have maintain a strong sales and profit growth momentum throughout 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover for the year under review was HKD388 million, and increase of HKD372 million or 24 times as compared to the turnover of HKD15.3 million for the same period last year. The increase in turnover was due to the increase in market demand on Electronic Medical Record during the year.

All the turnover for the current year is contributed by the HIT business, compared to the HIT business turnover of HKD1.7 million same period last year, there is an amazing increase of 227 time. The increase was due to the HIT contribute the turnover since November 2009, so there is slightly turnover recorded last year, and market demand have raise in the current year.

There was HKD15.3 million turnover contributed by the radio trucking in the last year but zero turnover for the year 2010. It is mainly due to the fact that most customers still not yet to finalise the terms of software services and the business during the year.

The other revenue is contributed by refund of VAT of HKD588 thousand, interest income of HKD381 thousand and HKD421 thousand other operating income. There was an decrease of 66% as compare to the same period of last year, which due to there is an absence of the written-off of trade payable in the current year.

The Group's gross profit margin as percentage of turnover amounted to 69.5%, compare with 16% in 2009. The gross profit of the Group is HKD270 million in the current year, up from HKD2 million recorded in the previous year. The improve in the gross profit margin mainly due to the Group have further develop in the HIT business, and have an effective cost control system.

In the current year, the Group show a turn from loss to profit, which the Group recorded a profit attributable to shareholders of HKD140 million in the current year, and a loss attributable to shareholders of HKD354 million in the previous year. The Group's increase in net profit and turnaround were mainly contributions from the newly introduced HIT business in the November 2009.

The distribution costs increase from HKD4.9 million last year to HKD12.7 million in the current year. And the administrative expenses reported HKD74.2 million in the current year, reported HKD39.1 million in the same period last year. The dramatically increase was due to rapid develop on the HIT business.

The finance costs were decreased from HKD12.2 million to HKD6.7 million as compared to the last financial year, the finance costs was contributed by the convertible bonds imputed interest. The decrease in the finance costs was mainly due to some convertible bonds that has been converted during the year.

During the year, reported a impairment loss from mining rights of HK$36 million. Taking into consideration of market value of the Mine as advised by Roma Appraisals Limited, an independent valuation firm, based on market approach method through comparing transactions of mines that had similar mineral resources with similar level of confidence in the resource estimation which was HK$200 million (or RMB170 million) as at 31 December 2010 and the mine is situated in Jiangxi of PRC. Also, the Group had reported an impairment loss of HKD9 million from the available for sale investments, which the Group holds 10% registered capital of Norwell Limited, an investment holding company, and its subsidiaries mainly involved in production and sales of ferro-silicon and ferro alloys in the PRC.

Liquidity and financial resources

The Group maintained a strong financial position, with bank balances and cash amounting to HK$152 million as at 31 December 2010. This represented an increase of 25% as compared with the position as at 31 December 2009 of HK$122 million. The increase was mainly attributable to the increase in working capital throughout the year.

Convertible bonds in the original principal amount of HK$465 million was issued by the Company and of which HK$241 million were converted in 2009. The further HK$22 million was substantially converted into 534 million shares of the Company during 2010. As at 31 December 2010, a principal amount of HK$202 million of convertible bonds were still outstanding with conversion price of HK$0.04.

As at 31 December 2010, the Group's gearing ratio is 20% (2009: 28%), calculated on the basis of the Group's non-current liabilities over equity attributable to owners of the Company. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Charge on group assets

As at 31 December 2010, no group assets were charged or pledged to secure any loans or borrowings.

Foreign exchange exposure

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

Contingent liabilities

As at 31 December 2010, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 31 December 2010, the Group employed a workforce with head count of approximately 248, the majority of whom were employed in the PRC. Staff costs, including Directors' emoluments, amounted to approximately HK$18 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

Acquisitions of subsidiaries and affiliated companies

Save as the above herein, the Group had no acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2010.

Capital structure

Convertible bonds in the original principal amount of HK$465 million was issued by the Company and which of HK$241 million were converted in 2009. The further HK$22 million were substantially converted into 534 million ordinary shares of the Company during 2010. As at 31 December 2010, a principal amount of HK$202 million of convertible bonds were still outstanding with conversion price of HK$0.04.

Future plans for material investments or capital assets

Development and expansion of HIT business, the Group considered HKD200 million for future capital expenditure in coming year. We endeavour to providing high quality products and competitive service. The Group remains optimistic about its long terms prospects, our efficient operations strategy continue to position us to create value for our shareholders.

Save as disclosed herein, the Group did not have any details of future plan for material investments or capital assets as at 31 December 2010.

Significant Investment

During the year under review there was no significant investment held by the Group. The Group did not have any details of future plan for material investment or capital assets as at 31 December 2010.

Foreign exchange exposure

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

INTRODUCTION

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2010.

BOARD COMPOSITION

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

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

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

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

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2010, the Board held 21 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Mr. Stephen William Frostick *(Chairman)*	20/21
Mr. Lu Chunming *(Chief Executive Officer)*	21/21
Mr. Shao Heng	19/21
Independent Non-executive Directors	
Mr. Chang Jun	13/21
Mr. Tso Hon Sai, Bosco	18/21
Mr. Lee Chi Hwa, Joshua	20/21

NON-EXECUTIVE DIRECTORS

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

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

REMUNERATION OF DIRECTORS

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

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

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

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

Meeting has been held in 2010 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held a meeting on 30 March 2011 to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2010.

NOMINATION OF DIRECTORS

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

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

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

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

The Nomination Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun *(Chairman)*, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. The Nomination Committee held meeting on 30 March 2011 to review the structure, size and composition of the Company's Board of Directors. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

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

AUDITORS' REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM & Co., to the Company for the year 2010 amounted to HK$600 thousand. No non-audit services was provided by HLM & Co. during the year.

AUDIT COMMITTEE

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

In 2010, the Audit Committee held 4 meetings. The attendance record of each member of the Committee is set out below:

	Attendance
Mr. Chang Jun	1/4
Mr. Tso Hon Sai, Bosco	4/4
Mr. Lee Chi Hwa, Joshua	4/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in CG Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors in 2011.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

EXECUTIVE DIRECTORS

Mr. Stephen William Frostick, aged 61, is the Chairman of the Company. Mr. Frostick obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Currently the president and chief executive officer of the Compeer Group (Macau) and Grey Eagle Group (Hong Kong), Mr. Frostick has over 35 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organizations. During his past employment with Kepner Tregoe Inc., Mr. Frostick was involved in the design, development and led the implementation of Team Concept in Chrysler Motors Inc. Mr. Frostick also participated in the negotiations with respect to the labour agreements between the United Auto Workers Union and Chrysler Motors Inc. Leverage on Mr. Frostick's automobile business experience, the Group will be in a better position to solicit the aforesaid automobile related investments opportunities and/or projects.

Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 35 years of senior management experience. He joined the Group in 2007. He is currently the Executive Director of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited) which is listed on the Stock Exchange of Hong Kong Limited.

Mr. Lu Chunming, aged 53, is the Chief Executive Officer of the Company. Mr. Lu is also the general manager of Beijing Cheong Lee Gocom Information Technology Company Limited and is responsible for the management of business of the Group. Mr. Lu graduated from Beijing Teacher's University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu had worked for the Post and Telecommunication Science Research Institute and Authorities Service Bureau of the former MPT. Mr. Lu has more than 20 years of experience in the communications industry.

Mr. Shao Heng, aged 37, was graduated from the College of Urban and Environmental Sciences in Beijing University in 1997 and obtained a Bachelor Degree of Tourism Development and Administration. In 2007, he obtained an EMBA in modern hospital management from Beijing University. Mr. Shao Heng once worked as General Manager at Great Wall Software Shanghai Branch of China Great Wall Computer Group Corporation, responsible for the national Golden Tax Project. Later, he worked as Deputy General Manager of 首創國際酒店管理公司 ("Shouchuang International Hotel Management Co., Ltd."), and was responsible for the hotel management projects of various star hotels. He then became the President of Beijing Aikang Hospital and was responsible for the daily operation and management of this general hospital. Since 2008, Mr. Shao Heng became the Managing Director of China Chief Medical Standards Database Co., Ltd., and was responsible for its daily operation and jointly developed the public medical projects with the relevant authorities of the Ministry of Health. He joined the Group in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 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. Lee has extensive experience in the fields of auditing, accounting and finance. He joined the Group in 2007. He is currently the independent non-executive director of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited) which is listed on the Stock Exchange of Hong Kong Limited.

Mr. Tso Hon Sai Bosco, aged 46, is currently a consultant with Messrs. Tso Au Yim & Yeung, Solicitors and has been a Hong Kong practising solicitor since 1990. Mr. Tso received his Bachelor of Laws degree from King's College, London. He joined the Group in 2007. He is currently the independent non-executive director of Rising Development Holdings Limited and Goldin Financial Holdings Limited. Both companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Chang Jun, aged 42, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 15 years experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

SENIOR MANAGEMENT

Mr. Lv Bin's, aged 45, is the Chief Operating Officer of the Company. He is the Founder and Chief Executive Officer of Beijing Upway Science & Technology Development Co. Ltd（北京安博維科技發展有限公司）. He has over 20 years of management experience in I.T industry and expertise in healthcare information technology. He joined the group in 2009.

Mr. ANG Wing Fung, aged 38, is the Company Secretary and Chief Financial Officer of the Company, who holds a degree of Master of Business Administration (Executive) from the City University of Hong Kong and a Bachelor degree in Accounting and Finance from The University of New South Wales, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, a qualified member in CPA Australia and an association member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 10 years of experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong. He is currently the executive director of Inno-Tech Holdings Limited which is listed on the Stock Exchange of Hong Kong Limited.

REPORT OF DIRECTORS

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 and the state of the affairs of the Group at that date are set out in the financial statements on pages 25 to 32.

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

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2010 are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in statement of changes in equity on page 30 and page 93 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company has no reserves available for distribution to shareholders (2009: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Company during the year are set out in note 32 to the consolidated financial statements.

DONATION

The Group's charitable and other donations during the year amounted to HK$3 million (2009: Nil). No donations were made to political parties.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year, together with reasons therefore, are set out in notes 33 and 35 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 101.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	40%
– five largest suppliers combined	91%
Sales	
– the largest customer	26%
– five largest customers combined	52%

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

DIRECTORS

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

Mr. Stephen William Frostick *(Chairman)*
Mr. Lu Chunming
Mr. Shao Heng
Mr. Lee Chi Hwa, Joshua*
Mr. Tso Hon Sai, Bosco*
Mr. Chang Jun*

* *Independent Non-executive Director*

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

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

As at 31 December 2010, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

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

Notes:

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

Long positions in the underlying shares

On 31 March 2010, share options of 10,000,000 shares at exercise price of HK$0.168 were granted to a director of the Company, Mr. Stephen William Frostick, under the Share Option Scheme. These share options are exercisable for a period of 3 years from the date of granted unconditionally. Details are set out in note 34 to the financial statement.

Save as disclosed above, as at 31 December 2010, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

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

As at 31 December 2010, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees details of the scheme is set out in note 35 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

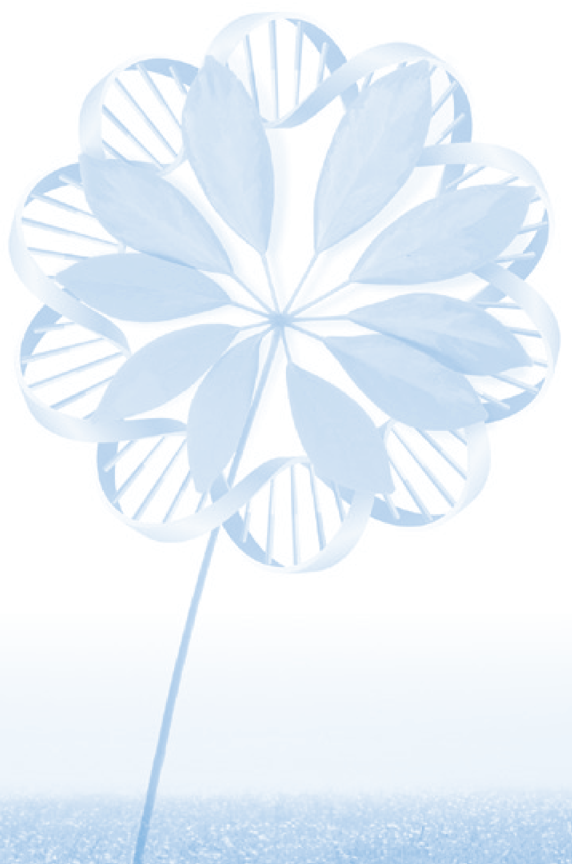
SHARE OPTION

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

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

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

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



Pursuant to the Scheme, as at 31 December 2010, the employees and consultants were granted share options to subscribe for shares of the Company, details of which were as follows:

Name or category of participant	As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2010	Date of granted of share options	Exercise period of share options	Exercise price of share options
Directors									
Stephen William Frostick	–	10,000,000	–	–	–	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
	–	10,000,000	–	–	–	10,000,000			
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Employees	–	52,000,000	–	–	–	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
	29,220,000	52,000,000	–	–	–	81,220,000			
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Consultants	–	138,000,000	–	–	–	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Consultants	–	50,000,000	–	–	–	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK$0.186
Consultants	–	20,000,000	–	–	–	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK$0.186
	58,439,900	208,000,000	–	–	–	266,439,900			
	87,659,900	270,000,000	–	–	–	357,659,900			

None of the employees and consultants of the Company had exercised their share options during the year ended 31 December 2010.

The total number of Shares available for issue under the Scheme as at the date thereof was 357,659,900 representing approximately 3.17% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2010, the following persons (other than the director and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares *(note e)*	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Absolute Power International Limited ("Absolute Power") *(note a)*	Beneficial	–	2,727,000,000	2,727,000,000	24.19%
Wide Treasure Investment Limited ("Wide Treasure") *(note b)*	Beneficial	–	2,330,446,932	2,330,446,932	20.67%
Way Capital Investments Limited ("Way Capital") *(note c)*	Beneficial	1,482,142,857	–	1,482,142,857	13.15%
Glorywide Group Limited ("Glorywide Group") *(note d)*	Beneficial	1,482,142,857	–	1,482,142,857	13.15%

Notes:

(a). Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.

(b). Wide Treasure is wholly owned by She Zhangshu who is deemed to be interested in the shares.

(c). Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.

(d). Glorywide is wholly owned by Zhang Jie who is deemed to be interested in the shares.

(e). The underlying shares of Absolute Power and Wide Treasure are in respect of the convertible bonds issued by the Company on 9 January 2009. The convertible bonds issued by the Company to Way Capital and Glorywide Group on 23 October 2009 were converted to 1,482,142,857 shares and 1,482,142,857 shares respectively on 4 December 2009.

Save as disclosed above, as at 31 December 2010, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 42 to the financial statements.

CONNECTED TRANSACTIONS

During the year ended 31 December 2010, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 43 to the financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2010, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

AUDITORS

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

On behalf of the board

Stephen William Frostick
Chairman

Hong Kong, 30 March 2011

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

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

TO THE SHAREHOLDERS OF CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Public Healthcare (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 100, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal controls as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with agreed term of the engagement, 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	6	**388,378**	15,345
Cost of sales and services		**(118,304)**	(12,890)
Gross profit		**270,074**	2,455
Other revenue	6	**1,390**	4,094
Distribution expenses		**(12,738)**	(4,986)
Administrative expenses		**(74,234)**	(39,086)
Impairment loss on mining rights	19	**(36,364)**	(314,511)
Impairment loss on available-for-sale investments	24	**(9,000)**	–
Realised (loss) gain on disposal of financial assets held for trading		**(273)**	1,552
Unrealised (loss) gain on financial assets held for trading		**(2,074)**	5,114
Profit (loss) from operations		**136,781**	(345,368)
Finance costs	8	**(6,729)**	(12,285)
Profit (loss) before tax		**130,052**	(357,653)
Income tax expense	9	**–**	(143)
Profit (loss) for the year from continuing operations	12	**130,052**	(357,796)
Discontinued operations			
Profit for the period/year from discontinued operations	10	**6,678**	3,073
Profit (loss) for the year		**136,730**	(354,723)
Other comprehensive income (expenses)			
Exchange difference on translation of:			
– financial statements of foreign operations		**10,401**	(3,364)
Other comprehensive income (expenses) for the year, net of tax		**10,401**	(3,364)
Total comprehensive income (expenses) for the year		**147,131**	(358,087)
Profit (loss) attributable to:			
Shareholders of the Company		**140,006**	(354,285)
Non-controlling interests		**(3,276)**	(438)
		136,730	(354,723)
Total comprehensive income (expenses) attributable to:			
Shareholders of the Company		**150,407**	(357,649)
Non-controlling interests		**(3,276)**	(438)
		147,131	(358,087)
Earnings (loss) per share	16		
From continuing and discontinued operations			
Basic *(HK cents per share)*		**1.27**	(6.99)
Diluted *(HK cents per share)*		**0.89**	N/A
From continuing operations			
Basic *(HK cents per share)*		**1.21**	(7.05)
Diluted *(HK cents per share)*		**0.85**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	**64,527**	4,495
Mining rights	19	**200,000**	236,364
Goodwill	21	**487,695**	487,695
Other intangible assets	23	**22,344**	–
Available-for-sale investments	24	**11,000**	20,000
		785,566	748,554
Current assets			
Inventories	25	**34,422**	3,330
Trade receivables	26	**189,947**	11,737
Other receivables, deposits and prepayments	27	**94,978**	28,130
Financial assets held for trading	28	**9,762**	14,657
Tax recoverable		**3**	3
Cash and bank balances	29	**152,027**	121,739
		481,139	179,596
Assets classified as held for sale	11	**–**	276,531
		481,139	456,127
Current liabilities			
Trade payables	30	**76,846**	313
Accruals and other payables		**33,202**	34,384
Deposit received		**35,371**	–
Amounts due to related companies	31	**14,010**	13,708
Tax payable		**143**	143
		159,572	48,548
Liabilities directly associated with assets classified as held for sale	11	**–**	223,737
		159,572	272,285
Net current assets		**321,567**	183,842
Net assets		**1,107,133**	932,396

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

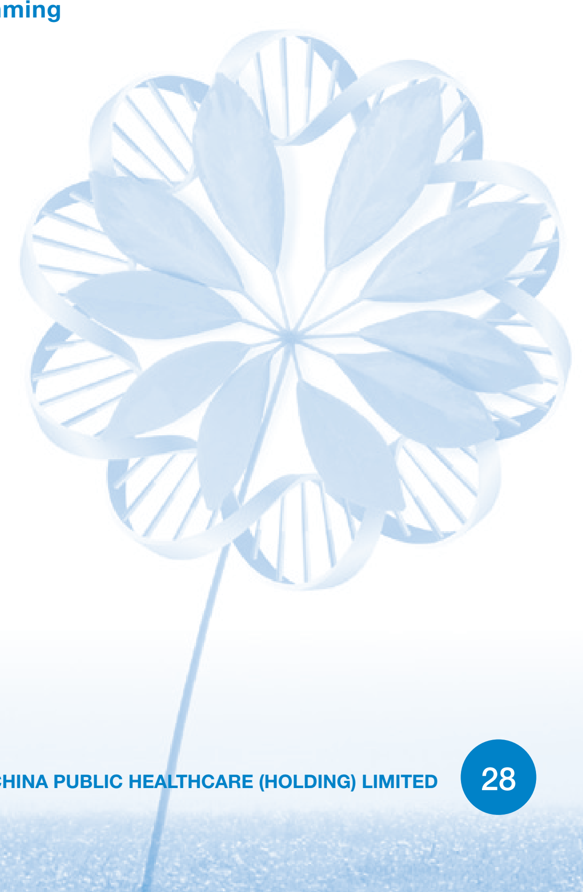
At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	33	**112,725**	107,384
Reserves		**801,408**	615,544
Equity attributable to owners of the Company		**914,133**	722,928
Non-controlling interests		**1,233**	4,509
Total equity		**915,366**	727,437
Non-current liability			
Convertible bonds	32	**191,767**	204,959
		1,107,133	932,396

The financial statements on pages 26 to 100 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR



STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	**68**	59
Investment in subsidiaries	20	**974,216**	1,110,177
		974,284	1,110,236
Current assets			
Other receivables, deposits and prepayments		**690**	1,827
Cash and bank balances		**1,233**	101,190
		1,923	103,017
Current liability			
Accruals and other payables		**600**	994
Net current assets		**1,323**	102,023
Net assets		**975,607**	1,212,259
Capital and reserves			
Share capital	33	**112,725**	107,384
Reserves	34	**671,115**	899,916
Total equity		**783,840**	1,007,300
Non-current liability			
Convertible bonds	32	**191,767**	204,959
		975,607	1,212,259

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital	Share premium	Merger difference *(Note(ii))*	General reserve *(Note (i))*	Share-based compensation reserve	Convertible bonds equity reserve	Exchange reserves	Accumulated losses	Attributable to shareholders of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	11,682	212,802	(46,815)	1,852	30,082	–	5,813	(9,253)	206,163	–	206,163
Additional non-controlling interests arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	4,947	4,947
Recognition of equity component of convertible bonds	–	–	–	–	–	524,769	–	–	524,769	–	524,769
Exercise of convertible bonds	90,002	654,670	–	–	–	(499,337)	–	–	245,335	–	245,335
Issue of ordinary shares under place of shares	5,700	98,610	–	–	–	–	–	–	104,310	–	104,310
Total comprehensive expenses for the year	–	–	–	–	–	–	(3,364)	(354,285)	(357,649)	(438)	(358,087)
At 31 December 2009	107,384	966,082	(46,815)	1,852	30,082	25,432	2,449	(363,538)	722,928	4,509	727,437
At 1 January 2010	107,384	966,082	(46,815)	1,852	30,082	25,432	2,449	(363,538)	722,928	4,509	727,437
Exercise of convertible bonds	5,341	17,013	–	–	–	(2,433)	–	–	19,921	–	19,921
Recognition of equity-settled share-based payments	–	–	–	–	27,091	–	–	–	27,091	–	27,091
Eliminated upon disposal of a joint venture	–	–	–	–	–	–	(6,214)	–	(6,214)	–	(6,214)
Transfer to general reserve	–	–	–	9,660	–	–	–	(9,660)	–	–	–
Total comprehensive income (expense) for the year	–	–	–	–	–	–	10,401	140,006	150,407	(3,276)	147,131
At 31 December 2010	**112,725**	**983,095**	**(46,815)**	**11,512**	**57,173**	**22,999**	**6,636**	**(233,192)**	**914,133**	**1,233**	**915,366**

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Operating activities			
Profit (loss) for the year		**136,730**	(354,723)
Adjustment for:			
Income tax expenses		**–**	1,672
Interest income		**(381)**	(56)
Dividend income		**–**	(103)
Interest expenses		**–**	222
Imputed interest on convertible bonds	8	**6,729**	12,063
Impairment loss on mining rights	19	**36,364**	314,511
Impairment loss on available-for-sale-investments	24	**9,000**	–
Depreciation		**5,401**	16,119
Loss on disposal of property, plant and equipment		**240**	62
Loss (gain) on disposal of financial assets held for trading		**273**	(1,552)
Unrealised loss (gain) on financial assets held for trading		**2,074**	(5,114)
Gain on disposal of a joint venture	41	**(14,182)**	–
Impairment for inventories		**–**	3,100
Amortisation of other intangible assets	23	**1,109**	–
Equity-settled share-based payments		**27,091**	–
Exchange gain		**–**	(6)
Operating cash flow before movements in working capital		**210,448**	(13,805)
Decrease (increase) in inventories		**12,361**	(14,972)
(Increase) decrease in trade receivables, prepayment, deposits and other receivables		**(209,941)**	77,371
Decrease in amounts due from related companies		**–**	25
Increase in trade payables, bills payables, accruals and other payables and deposits received		**68,310**	95,569
(Decrease) increase in amounts due to related companies		**(20,812)**	21,709
Cash generated from operations		**60,366**	165,897
Interest paid		**–**	(222)
PRC tax (paid) refund		**(1,303)**	2,208
Net cash generated from operating activities		**59,063**	167,883

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Investing activities			
Dividend income		–	103
Purchases of property, plant and equipment		(65,562)	(17,000)
Purchases of financial assets held for trading		(56,343)	(23,033)
Net cash outflow on acquisition of subsidiaries	40	–	(77,124)
Purchase of available for sale investments		–	(20,000)
Payments for other intangible assets	23	(23,453)	–
Sales proceeds from disposal of property, plant and equipment		–	5,824
Sales proceeds from disposal of financial assets held for trading		58,891	29,160
Net cash outflow from disposal of a joint venture	41	(14,130)	–
Interest received		381	56
Net cash used in investing activities		(100,216)	(102,014)
Financing activities			
Proceeds from issue of shares		–	104,310
Repayments of bank loans		–	(35,899)
Repayment of secured loan from a finance company		–	(1,799)
Net cash generated from financing activities		–	66,612
Net (decrease) increase in cash and cash equivalents		(41,153)	132,481
Effect of foreign exchanges rate changes		11,304	(3,358)
Cash and cash equivalents at beginning of year		181,876	52,753
Cash and cash equivalents at end of year		152,027	181,876
Analysis of cash and cash equivalents			
Cash and bank balances		152,027	121,739
Cash and bank balances included in a disposal group classified as held for sale		–	60,137
Cash and cash equivalents at end of year		152,027	181,876

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 July 2000. The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and the principal place of business of the Company is Room 2204, 22/F., Mass Mutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 20 to the consolidated financial statements.

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

The following new and revised Standards and Interpretation issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA") have been applied by the Group in the current year. The impact of the application of the new and revised Standards and Interpretations is discussed below.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

In line with the amendments to HKAS 1, the Group has classified the liability component of convertible bonds issued in the current year as non-current based on when cash settlement is required to be made. This amendment has had no effect on amounts reported in prior years because the Group has not previously issued instruments of this nature.

Amendments to HKFRS 7 Financial Instruments: Disclosures (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Group has applied the amendments in advanced of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

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

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

New and revised Standards and Interpretations applied with no material effects on the consolidated financial statements

The following new and revised Standards and Interpretations have also been applied in these consolidated financial statements. The application of these new and revised Standards and Interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time adopters*	The amendments provide two exemptions when adopting HKFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.
Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payments Transactions*	The amendments clarify the scope of HKFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to HKFRSs issued in 2008)*	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain in a non-controlling interest in the subsidiary after the sale.
Amendments to HKAS 7 *Statement of Cash Flows (as part of Improvements to HKFRSs issued in 2009)*	The amendments specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

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

New and revised Standards and Interpretations applied with no material effects on the consolidated financial statements (continued)

Amendments to HKAS 17 *Leases*	The amendments clarify that classification of unexpired leasehold should be reassessed based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment.
Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as hedged risk or portion and hedging with options.
HK – Int 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*	HK Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities.
HK (IFRIC) – Int 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes asses other than cash as dividends to its shareholders.
HK (IFRIC) – Int 18 *Transfers of Assets from Customers*	The Interpretation addresses the accounting by recipients for transfer of property, plant and equipment from "customers" and concludes that when the items of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit rating being recognised as revenue in accordance with HKAS 18 *Revenue*.
Improvements to HKFRSs issued in 2009	The application of *Improvements to HKFRSs issued in 2009* has not had any material effect on amounts reported in the consolidated financial statements.

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

New and revised Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 7 and HKAS 1[2]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe hyperinflation and fixed dates for first-time adopters[5]
HKFRS 3 (Amendments)	Business Combination (2008) – Improvements to HKFRSs (2010)[3]
HKFRS 9 (Revised)	Financial Instruments[7]
HKAS 1 (Amendments)	Presentation of Financial Statements – Improvements to HKFRSs (2010)[4]
HKAS 12 (Amendments)	Income Taxes – Amendments[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[1]
HK(IFRIC) – Int 13 (Amendments)	Customer Loyalty Programmes – Improvements to HKFRSs (2010)[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 *Effective for annual periods beginning on or after 1 February 2010*
2 *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate*
3 *Effective for annual periods beginning on or after 1 July 2010*
4 *Effective for annual periods beginning on or after 1 January 2011*
5 *Effective for annual periods beginning on or after 1 July 2011*
6 *Effective for annual periods beginning on or after 1 January 2012*
7 *Effective for annual periods beginning on or after 1 January 2013*

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost of fair value. Specifically, debt investments that are within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measurement at their fair values at the end of subsequent accounting period.

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

New and revised Standards and Interpretations in issue but not yet effective (continued)

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have an impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

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

New and revised Standards and Interpretations in issue but not yet effective (continued)

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity.

The amendments to HKAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and difference between the carrying amount of financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 disposal of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

Investments in subsidiaries

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

Jointly controlled entities

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

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

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

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

Mining rights

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

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

Impairment of exploration and evaluation assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible assets and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the assets is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

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

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

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risk; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified form equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange difference accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influences or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or

- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets *(continued)*

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

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

Effective interest method

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial liabilities at FVTPL** (continued)*

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

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

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

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designed as at FVTPL.

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible bonds

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

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

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

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

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

Derecognition

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

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

Revenue recognition

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

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

Revenue from the provision of healthcare information technology services is recognised when goods and services are delivered and provided and determined based on the stage of completion.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Taxation** (continued)*

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 realised, based on tax rates (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.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payment transactions

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

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and 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 original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Leases

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

The Group as lessor

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

The Group as lessee

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

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

Research and development costs

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

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

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

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

Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following 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.

(A) Impairment of goodwill

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

The carrying amount of goodwill as at 31 December 2010 was HK$488 million (2009: HK$488 million) which recognised from business combinations occurring in year 2009.

(B) Depreciation and amortisation

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

(C) Impairment on inventories

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

(D) Impairment on trade receivables

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

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Foreign currency risk management

The Group has foreign currency income, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets 2010 *HK$'000*	**Liabilities 2010 *HK$'000***	Assets 2009 *HK$'000*	Liabilities 2009 *HK$'000*
Renminbi ("RMB")	**418,063**	**133,803**	41,185	21,769

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis (continued)

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

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

	Impact of RMB 2010 *HK$'000*	Impact of RMB 2009 *HK$'000*
Increase/decrease in profit (loss) for the year	**14,213**	971

Interest rate risk management

The Group's variable interest bearing bank deposits are exposed to interest rate risk which is considered to be minimal.

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

Sensitivity analysis

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

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/decrease by HK$1,518,000 (2009: HK$1,215,000)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

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

Liquidity risk management

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

	2010		
	Within 1 year	**2-5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**76,846**	**–**	**76,846**
Accruals and other payables	**33,202**	**–**	**33,202**
Deposit received	**35,371**	**–**	**35,371**
Amount due to related companies	**14,010**	**–**	**14,010**
Convertible bonds	**–**	**191,767**	**191,767**
	159,429	**191,767**	**351,196**

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management (continued)

		2009	
	Within 1 year	2-5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	313	–	313
Accruals and other payables	34,384	–	34,384
Amount due to related companies	13,708	–	13,708
Convertible bonds	–	204,959	204,959
	48,405	204,959	253,364

Market price risk management

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

Sensitivity analysis

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

If listed equity prices had been 15% higher/lower (2009: 15% higher/lower), loss for the year ended 31 December 2010 would increase/decrease by HK$1,464,000 (2009: HK$2,198,540). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

As at 31 December 2010, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the consolidated statement of financial position at amounts approximating to their fair values.

Fair values on financial instruments

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2010 across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

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

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

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

At 31 December 2010, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:–

	2010	2009
	HK$'000	*HK$'000*
Assets		
Level 1: Financial assets held for trading – Listed	**9,762**	14,657

At 31 December 2010, financial assets held for trading are carried at fair value.

During the year ended 31 December 2010, there were no significant transfers between financial instruments in Level 1 and Level 2.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values on financial instruments (continued)

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

The carrying amounts of the Group's available for sale investments are carried at cost less accumulated impairments were not materially different from their fair values as at 31 December 2010.

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

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

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

Capital risk management

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

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

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

	2010	2009
	HK$'000	*HK$'000*
Convertible bonds *(note 31)*	**191,767**	204,958
Total debts	**191,767**	204,958
Total assets	**1,266,705**	1,204,681
Total debts to total assets ratio	**0.15**	0.17

The decrease in the gearing ratio during the year resulted primarily from part of convertible bonds have been converted to ordinary shares during the year.

6. TURNOVER AND OTHER REVENUE

The Group is principally engaged in provision of health information technology ("HIT") services, mining of mineral resources and sales of radio trunking systems integration. Revenue recognised is as follows:

	2010 HK$'000	2009 HK$'000
Continuing operations		
Provision of HIT Services:		
Electronic Medical Records System ("EMR")	263,598	1,769
Regional Public Health Medical System	109,527	–
Hospital Pre-evaluation Service	15,253	–
	388,378	1,769
Mining	–	–
Sales of radio trunking systems integration	–	13,576
	388,378	15,345
Other revenue		
Interest income	381	56
Dividend income	–	103
Government grants	–	455
Refund of value added tax (Note a)	588	68
Exchange gain	–	6
Written off of trade payable	–	2,951
Others	421	455
	1,390	4,094
Total revenue	389,768	19,439

Note a:

The VAT refunded for the years ended 31 December 2010 and 2009 represented refund of net VAT to certain PRC subsidiaries pursuant to Cai Shui [2009] No. 148 and [2006] No. 102 respectively, the Circular of the State Administration of Taxation of China.

7. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

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

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

Segment revenues and results

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

	Segment revenue		Segment profit/(loss)	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision of HIT Services	**390,578**	1,769	**228,983**	(1,222)
Mining of mineral resources	**–**	–	**(39,722)**	(320,049)
Sales of radio trunking systems integration	**–**	13,576	**(120)**	(16,822)
	390,578	15,345	**189,141**	(338,093)
Less: Intra-group sales	**(2,200)**	–		
Total for continuing operations	**388,378**	15,345		
Investment and other income			**1,014**	8,627
Impairment loss on AFS investment			**(9,000)**	–
Equity-settled share-based payments			**(27,091)**	–
Central administration costs			**(17,283)**	(16,049)
Finance costs			**(6,729)**	(12,138)
Profit (loss) before tax (continuing operation)			**130,052**	(357,653)

7. SEGMENT INFORMATION (continued)

Revenue reported above represents revenue generated from external customers. There were inter-segment sales of HK$2,200,000 in the year (2009: Nil).

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

Segment assets and liabilities

	2010	2009
	HK$'000	*HK$'000*
Segment assets		
Provision of HIT Services	**536,937**	34,514
Mining of mineral resources	**204,437**	235,080
Radio trunking systems integration	**24,599**	13,329
Total segment assets	**765,973**	282,923
Assets relating to automobile stamping and welding parts (now discontinued)	**–**	276,531
Unallocated assets	**500,732**	645,227
Consolidated assets	**1,266,705**	1,204,681
Segment liabilities		
Provision of HIT Services	**121,609**	4,243
Mining of mineral resources	**9,603**	5,068
Radio trunking systems integration	**4,071**	18,717
Total segment liabilities	**135,283**	28,028
Liabilities relating to automobile stamping and welding parts (now discontinued)	**–**	223,737
Unallocated liabilities	**216,056**	225,479
Consolidated liabilities	**351,339**	477,244

7. SEGMENT INFORMATION (continued)

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

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

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

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

Information about major customers

Included in revenues arising from sales of healthcare system of HK$388.4 million (2009: HK$1.8 million) are revenues of approximately HK$141.1 million (2009: HK$Nil) which arose from sales to the Group's largest two customers (provision of HIT Services segment). No other single customer contributed 10% or more to the Group's revenue for both 2010 and 2009.

8. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings wholly repayable within five years:		
Interest expenses on bank loans and other borrowings	**–**	222
Imputed interest on convertible bonds	**6,729**	12,063
	6,729	12,285

9 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2010 (2009: HK$143,000). PRC enterprises income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC enterprises income tax rate is 25% (2009: 25%). Pursuant to relevant laws and regulations in PRC, certain subsidiaries designated as a newly established software enterprise which entitled to two years' exemption from corporate income tax and three to five years are entitled to 50% tax reduction.

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong profits tax *(Note (a))*	**–**	143
	–	143

Note:

(a) Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for both years.

9 INCOME TAX EXPENSE (continued)

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Profit (loss) before tax	**130,052**	(357,653)
Tax at the applicable tax rate of 16.5% (2009: 16.5%)	**21,459**	(59,013)
Tax effect of expenses not deductible for tax purpose	**32,620**	65,783
Tax effect of income not taxable for tax purpose	**(75,644)**	(5,327)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**19,766**	(3,056)
Tax effect on temporary differences not recognised	**111**	245
Utilisation of tax losses previously not recognised	**–**	(878)
Tax effect of unused tax losses not recognised	**1,688**	2,389
Tax charge for the year	**–**	143

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

Deferred tax assets are not recognised for tax losses carry forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The Group has unrecognised tax losses of approximately HK$49,530,000 (2009: HK$39,299,000).

10. DISCONTINUED OPERATIONS

Disposal of the automobile stamping and welding parts business

On 26 February 2010, the Group entered into a sale agreement to disposal South Jinkang Automobile Parts and Components Company Limited ("South Jinkang"), which carried out all the Group's automobile stamping and welding parts operations. The disposal of the automobile stamping and welding parts operations is consistent with the Group's long-term policy to focus its activities in the sales and maintenance of healthcare system operation. The disposal was completed on 31 August 2010, on which date control of the automobile stamping and welding parts operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 41.

10. DISCONTINUED OPERATIONS (continued)

Analysis of profit for the period/year from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income are set out below.

	2010	2009
	HK$'000	*HK$'000*
Profit for the period/year from discontinued operations		
Turnover	**401,092**	450,931
Cost of sales and services	**(416,809)**	(438,913)
Gross (loss) profit	**(15,717)**	12,018
Other revenue	**20,558**	18,590
Expenses	**(9,782)**	(26,006)
Attributable income tax expenses	**(2,563)**	(1,529)
	(7,504)	3,073
Gain on disposal of a joint venture (including reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation *(note 41)*)	**14,182**	–
Profit for the period/year from discontinued operations attributable to the shareholders of the Company	**6,678**	3,073
Profit for the period/year from discontinued operation include the following:		
Auditor's remuneration	**109**	89
Depreciation of property, plant and equipment	**6,677**	13,387
Impairment loss on inventories	**–**	3,100
Reversal of impairment loss on inventories	**1,469**	–
Cash flows from discontinued operations		
Net cash inflow from operating activities	**11,580**	86,853
Net cash outflow from investing activities	**(4,499)**	(9,392)
Net cash outflow form financing activities	**–**	(29,172)
Net cash inflows	**7,081**	48,289

During the year, the Group disposed its joint venture which carried out all of its automobile stamping welding parts operations.

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

11. ASSETS CLASSIFIED AS HELD FOR SALE

	2010	2009
	HK$'000	*HK$'000*
Assets related to automobile stamping and welding parts business	–	276,531
Liabilities directly associated with assets classified as held for sale	–	223,737

	2010	2009
	HK$'000	*HK$'000*
Property, plant and equipment	–	45,039
Inventories	–	93,180
Trade receivables	–	18,649
Bills receivables	–	38,059
Other receivables, deposit and prepayments	–	21,467
Cash and bank balances	–	60,137
Assets classified as held for sale	–	276,531
Trade payables	–	91,593
Bills payables	–	51,294
Accruals and other payables	–	24,740
Deposit received	–	2,458
Amounts due to a shareholder	–	52,350
Income tax payable	–	1,302
Liabilities directly associated with asset classified as held for sale	–	223,737
Net assets of automobile stamping and welding parts business	–	52,794

12. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing operations has been arrived at after charging:		
Auditors' remuneration	**600**	630
Bad debts written off	**737**	–
Depreciation of property, plant and equipment	**5,401**	2,732
Amortisation of other intangible assets	**1,109**	–
Loss on disposal of property, plant and equipment	**240**	62
Operating lease payments in respect of rented premises	**4,291**	1,108
Research and development costs	**356**	10,002
Staff costs, excluding directors' remuneration *(note 13)*	**14,523**	13,907
Equity-settled share-based payments	**27,091**	–

13. STAFF COSTS EXCLUDING DIRECTORS' REMUNERATION

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Salaries and wages	**13,647**	13,369
Staff welfare benefits	**350**	235
Retirement benefits scheme contributions	**526**	303
	14,523	13,907

14. NET LOSS FOR THE YEAR OF THE COMPANY

The net loss for the year includes a loss of approximately HK$270,472,000 (2009: HK$21,369,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2009: HK$Nil).

16. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2010	2009
	HK$'000	*HK$'000*
Earnings (loss) for the year		
Profit (loss) for the year attributable to shareholders of the Company	**140,006**	(354,285)
Effect of dilutive potential ordinary share:		
Interest on convertible bonds	**2,876**	6,834
Profit (loss) for the purpose of diluted earnings (loss) per share	**142,882**	(347,451)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**10,986,984,230**	5,066,768,908
Effect of dilutive potential ordinary share:		
Convertible bonds	**5,054,946,932**	5,589,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**16,041,931,162**	10,655,768,908

* Effect of dilutive potential ordinary share in respect of outstanding share options are anti-dilutive for both years.

16. EARNINGS (LOSS) PER SHARE (continued)

From continuing operations

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

	2010 *HK$'000*	2009 *HK$'000*
Profit (loss) for the year attributable to shareholders of the Company	140,006	(354,285)
Less: profit for the period/year from discontinued operations	6,678	3,073
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	133,328	(357,358)
Effect of dilutive potential ordinary share: Interest on convertible bonds	2,876	6,834
Profit (loss) for the purpose of diluted earnings (loss) per share from continuing operations	136,204	(350,524)

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

From discontinued operations

Basic earnings per share for the discontinued operation is HK$0.06 cents per share (2009: HK$0.06 cents earnings per share) based on the profit for the year from the discontinued operations of HK$6,678,000 (2009: HK$3,073,000) and the denominators detailed used are the same as those detailed basic and diluted earnings (loss) per share from continuing operations.

No disclosure of diluted earnings share from discontinued operations as effect of dilutive potential ordinary share are anti-dilutive.

17. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors and senior management remuneration

The emoluments paid or payable to each of the six (2009: seven) directors were as follows:

The Group	Fees	Salaries, allowances, and other remuneration	Employer's contributions to pension schemes	Share-based payments	2010 Total emoluments	2009 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Stephen William Frostick *(Chairman)*	–	90	–	1,030	1,120	60
Mr. Lu Chunming	–	109	–	–	109	375
Mr. Shao Heng (appointed on 22 December 2009)	–	90	–	–	90	20
Mr. Cai Zuping (resigned on 2 February 2009)	–	–	–	–	–	45
Independent Non-executive Directors						
Mr. Tso Hoi Sai, Bosco	–	60	–	–	60	60
Mr. Lee Chi Hwa, Joshua	–	60	–	–	60	60
Mr. Chang Jun	–	60	–	–	60	60
	–	469	–	1,030	1,499	680
Senior management						
Ang Wing Fung *(CFO)*	–	875	12	1,546	2,433	560
Total	–	1,344	12	2,576	3,932	1,240

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

	2010	2009
HK$Nil to HK$1,000,000	**5**	7
HK$1,000,001 to HK$3,000,000	**1**	–

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

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 December 2010 and 2009.

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

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year included one (2009: one) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining four (2009: four) individuals during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**1,719**	1,208
Retirement benefits scheme contributions	**43**	48
Share-based payment expenses	**1,546**	–
	3,308	1,256

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

	2010	2009
HK$Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$3,000,000	**1**	–

During the year, no remuneration (2009: HK$Nil) was paid by the Group to any of the highest paid individuals as an inducement to join the Group or as compensation for loss of office.

18. PROPERTY, PLANT AND EQUIPMENT

	Property under development	Construction in progress	*Land and buildings under medium leases outside Hong Kong	Moulds	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP										
COST OR VALUATION										
At 1 January 2009	3,884	–	10,194	21,350	1,073	18,498	643	1,548	7,335	64,525
Additions	7,695	–	–	6,619	475	580	116	914	601	17,000
Disposals	–	–	–	(9,344)	–	(257)	(127)	–	(199)	(9,927)
Transfer	(6,782)	–	–	–	–	6,196	–	481	105	–
Acquisition through business combinations	–	–	183	–	608	682	769	804	504	3,550
Elimination on reclassification as held for sale	(4,797)	–	(10,194)	(18,625)	–	(24,775)	–	(1,669)	(1,686)	(61,746)
At 31 December 2009 and 1 January 2010	–	–	183	–	2,156	924	1,401	2,078	6,660	13,402
Additions	–	37,385	–	–	3,185	12	773	21,171	3,036	65,562
Disposals	–	–	–	–	(28)	–	(8)	(237)	–	(273)
Exchange adjustments	–	–	6	–	73	33	37	57	45	251
At 31 December 2010	**–**	**37,385**	**189**	**–**	**5,386**	**969**	**2,203**	**23,069**	**9,741**	**78,942**
DEPRECIATION										
At 1 January 2009	–	–	147	4,710	752	2,241	386	836	2,828	11,900
Charge for the year	–	–	347	10,324	217	2,405	94	525	2,207	16,119
Eliminated on disposal of assets	–	–	–	(3,931)	–	(26)	(65)	–	(19)	(4,041)
Acquisition through business combinations	–	–	40	–	310	323	318	514	131	1,636
Eliminated on reclassification as held for sale	–	–	(478)	(11,103)	–	(4,405)	–	(380)	(341)	(16,707)
At 31 December 2009 and 1 January 2010	–	–	56	–	1,279	538	733	1,495	4,806	8,907
Charge for the year	–	–	19	–	1,247	191	278	1,979	1,687	5,401
Eliminated upon disposal	–	–	–	–	(28)	–	(5)	–	–	(33)
Exchange adjustments	–	–	2	–	44	19	14	37	24	140
At 31 December 2010	–	**–**	**77**	**–**	**2,542**	**748**	**1,020**	**3,511**	**6,517**	**14,415**
NET BOOK VALUE										
At 31 December 2010	**–**	**37,385**	**112**	**–**	**2,844**	**221**	**1,183**	**19,558**	**3,224**	**64,527**
At 31 December 2009	–	–	127	–	877	386	668	583	1,854	4,495

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

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost of the above assets at 31 December 2010 is as follows:

	Property under development *HK$'000*	Construction in progress *HK$'000*	Land and buildings under medium leases outside Hong Kong *HK$'000*	Moulds *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At cost	–	37,385	189	–	5,386	969	2,203	23,069	9,741	78,942

THE COMPANY	**Leasehold improvement** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Computer equipment** *HK$'000*	**Total** *HK$'000*
COST				
At 1 January 2009	28	199	479	706
Additions	–	21	23	44
At 31 December 2009 and 1 January 2010	28	220	502	750
Additions	–	–	48	48
Disposals	(28)	–	–	(28)
At 31 December 2010	–	220	550	770
DEPRECIATION				
At 1 January 2009	28	194	425	647
Charge for the year	–	6	38	44
At 31 December 2009 and 1 January 2010	28	200	463	691
Charge for the year	–	5	34	39
Eliminated upon disposal	(28)	–	–	(28)
At 31 December 2010	–	205	497	702
NET BOOK VALUE				
At 31 December 2010	**–**	**15**	**53**	**68**
At 31 December 2009	–	20	39	59

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of the Group's land and buildings under medium leases outside Hong Kong would have been approximately HK$112,000 (2009: HK$127,000) had it been stated at cost less accumulated depreciation.

19. MINING RIGHTS

	Mining Rights *HK$'000*
Cost	
At 1 January 2009	–
Acquisition from subsidiaries *(note a)*	550,875
At 31 December 2009, 1 January 2010 and 31 December 2010	550,875
Amortisation and impairment	
At 1 January 2009	–
Impairment for the year *(note b)*	314,511
At 31 December 2009 and 1 January 2010	314,511
Impairments for the year *(note c)*	36,364
At 31 December 2010	350,875
Net book value	
At 31 December 2010	200,000
At 31 December 2009	236,364

Notes:

(a) The recognition of fair value of mining rights of Xiong Cun Mine of approximately HK$550.8 million *(note 40)* arising from the acquisition which has been determined as the difference between the consideration of HK$550 million directly attributable to the acquisition and the Group's interest on net liabilities of Super Surplus Trading Limited and its subsidiaries ("Super Surplus Group") acquired at book value of approximately HK$0.875 million.

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

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

(c) At the end of the reporting period, the mining rights have been revalued by Roma Appraisals Limited, an independent valuation firm under market approach. The estimated fair value of mining rights as at 31 December 2010 was approximately HK$200 million. Therefore, impairment loss of mining rights of HK$36.4 million was recognised during the year.

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

- Reserve volumes
- Discount rates
- Metal prices

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

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

20. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	**508,349**	508,349
Amounts due from subsidiaries *(Note (b))*	**793,492**	701,589
Amounts due to subsidiaries *(Note (b))*	**(2,799)**	(1,369)
Impairment losses	**(324,826)**	(98,392)
	974,216	1,110,177

(a) Details of the Company's subsidiaries at 31 December 2010 are as follow:

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

20. INVESTMENT IN SUBSIDIARIES (continued)

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

20. INVESTMENT IN SUBSIDIARIES (continued)

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

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

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

21. GOODWILL

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Cost		
Balance at beginning of year	**487,695**	–
Additional amount recognised from business combinations occurring during the year *(note 40)*	**–**	487,695
Balance at end of year	**487,695**	487,695
Carrying amounts		
Balance at end of year	**487,695**	487,695

Goodwill is allocated to the Group's cash-generating unit ("CGU") identified according to operating segment as follows:

	2010	2009
	HK$'000	*HK$'000*
Provision of HIT services	**487,695**	487,695

During the year 2010 and 2009, the Group assessed the recoverable amount of goodwill associated with certain of the Group's selling activities from healthcare information technology business and provision of regional public health medical system. No impairment loss of goodwill should be consider as the recoverable amount is higher than carrying amount.

The recoverable amount of CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are using an estimated growth rate of 7% (2009: 7%). The cash flows are discounted using a discount rate of 10% (2009: 10%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

22. JOINTLY CONTROLLED ENTITY

On 31 August 2010, the Group disposed of South Jinkang Automobile Parts and Components Company Limited which carried out all of its automobile stamping welding parts operations. In year 2009, the Group had interests in the following significant jointly controlled entity:

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

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

	2010	2009
	HK$'000	*HK$'000*
Non-current assets	–	45,039
Current assets	–	231,492
Current liabilities	–	223,737
Income	–	469,521
Expenses	–	466,448
Comprehensive income	–	–

23. OTHER INTANGIBLE ASSETS

	Computer software *HK$'000*	Technical know-how *HK$'000*	Total *HK$*
Cost			
Balance at 1 January 2009, 31 December 2009, and 1 January 2010	–	–	–
Additions	16,432	7,021	23,453
Balance at 31 December 2010	16,432	7,021	23,453
Accumulated amortisation and impairment loss			
Balance at 1 January 2009, 31 December 2009, and 1 January 2010	–	–	–
Amortisation for the year	991	118	1,109
Balance at 31 December 2010	991	118	1,109
Carrying amounts			
Balance at 31 December 2010	15,441	6,903	22,344
Balance at 31 December 2009	–	–	–

The following useful lives are used in the calculation of amortisation:

Computer software	5 years
Technical know-how	10 years

All intangible assets are allocated to the Group's CGU identified in provision of HIT Services segment.

The management considers the useful lives of Computer software and Technical know-how are five years and ten years respectively that are normally used in similar size companies in the industry.

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

At the end of reporting period, intangible assets are revalued by an independent firm BMI Appraisals Limited. The fair value of intangible assets is higher than carrying amounts, therefore, no impairment loss provided during the year.

24. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Unlisted investments at cost *(note (a))*	**20,000**	20,000
Impairment loss	**(9,000)**	–
	11,000	20,000

Note:

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

25. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**16**	15
Work in progress	**1,151**	1,112
Finished goods	**33,255**	2,203
	34,422	3,330
Impairment loss	**–**	–
	34,422	3,330

Movement in the impairment loss for inventories

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	8,408
Reclassified as disposal group held for sale	**–**	(8,408)
Balance at end of the year	**–**	–

26. TRADE RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables *(note a)*	**189,947**	11,737
Less: allowance for doubtful debts	**–**	–
	189,947	11,737

(Note a): The ageing analysis of trade receivables is as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**3,828**	–
31 to 60 days	**–**	568
61 to 90 days	**50,882**	11,067
91 to 120 days	**96,583**	–
Over 120 days	**38,654**	102
	189,947	11,737

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 180 days or according to the terms of the sales contracts. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be more than to 180 days.

No impairment loss of trade receivables for both years 2009 and 2010, therefore, ageing analysis with impairment loss of trade receivables are same as above ageing analysis.

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

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

As at 31 December 2010, trade receivables over 120 days amounted to HK$38,654,000 (2009: HK$102,000) were past due but not impaired as the balances were related to debtors with sound repayment history and no recent history of default.

27. OTHER RECEIVABLES, DEPOSIT AND PREPAYMENTS

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Other receivables	**19,872**	12,002
Deposits paid	**761**	13,352
Prepayments	**74,345**	2,776
	94,978	28,130

Prepayments included HK$47 million is used for purchasing computer hardware and equipment to construct a new center for provision of HIT services.

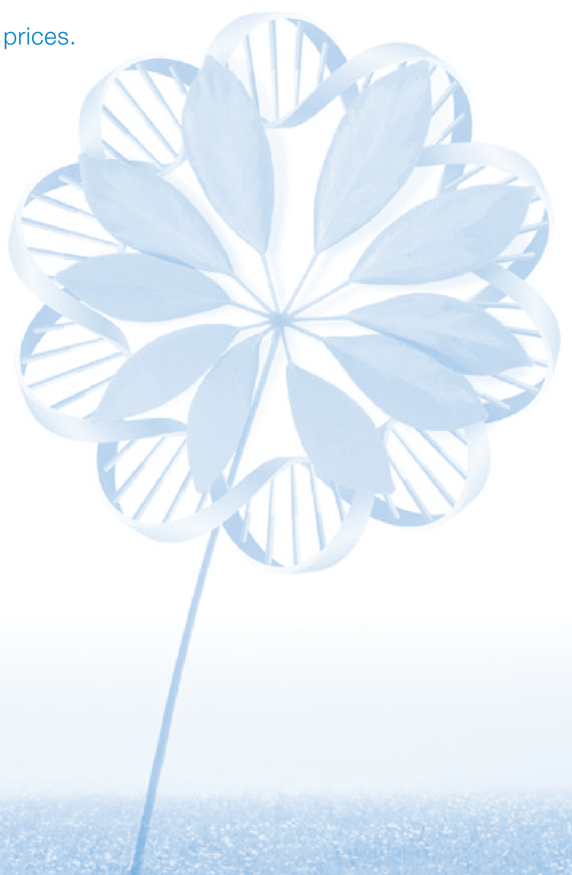
Prepayments are recognised as expenses when those expenses are actually incurred for the operations.

The directors consider that the carrying amount of other receivables, deposits and prepayments approximates their fair value.

28. FINANCIAL ASSETS HELD FOR TRADING

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**9,762**	14,657

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



29. CASH AND BANK BALANCES

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Cash and bank balances	**135,955**	103,820
Fixed bank deposits	**14,252**	13,198
Deposits at other financial institution	**1,820**	4,721
	152,027	121,739

Bank balances and deposits at other financial institution carry interest at market rates which range from 0.1% to 3.5% (2009: 0.1% to 3.5%) per annum.

30. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	THE GROUP	
	2010	2009
	HK$'000	*HK$'000*
Within 30 days	**2,542**	–
31 to 60 days	**12**	–
61 to 90 days	**–**	–
91 to 120 days	**74,080**	–
Over 120 days	**212**	313
	76,846	313

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

31. AMOUNTS DUE TO RELATED COMPANIES

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

32. CONVERTIBLE BONDS

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

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

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

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

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

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

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

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

During year 2010, the CB I were converted into 534,053,068 ordinary shares with principle amounts of HK$21,362,000 at a conversion price of HK$0.04 per conversion share.

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

	THE GROUP AND THE COMPANY		
	CB I	**CB II**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Proceeds of issue	465,000	498,000	963,000
Equity component	(52,898)	(471,871)	(524,769)
Liability component at date of issue	412,102	26,129	438,231
Interest charged	9,319	2,744	12,063
Converted into ordinary shares	(216,462)	(28,873)	(245,335)
Liability component at 31 December 2009	204,959	–	204,959
Interest charged	6,729	–	6,729
Converted into ordinary shares	(19,921)	–	(19,921)
Liability component at 31 December 2010	**191,767**	**–**	**191,767**

33. SHARE CAPITAL

	Number of shares of HK$0.01 each	Nominal Value
		HK$
Authorised:		
At 1 January 2009, 31 December 2009, and 31 December 2010	50,000,000,000	500,000,000
Issued and fully paid:		
At 1 January 2009	1,168,160,100	11,681,601
Exercise of convertible bonds *(note a)*	9,000,285,714	90,002,857
Issue of ordinary share under placement of shares *(note b)*	570,000,000	5,700,000
At 31 December 2009 and 1 January 2010	10,738,445,814	107,384,458
Exercise of convertible bonds *(note c)*	534,053,068	5,340,531
At 31 December 2010	**11,272,498,882**	**112,724,989**

Note:

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

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

These share issued rank pari passu in all respects with the then existing shares. Details of the convertible bonds are set out in note 32.

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

(c) During year 2010, the CB I were converted into 534,053,068 ordinary shares with principal amounts of HK$21,362,000 at a conversion price of HK$0.04 per conversion share.

34. RESERVES

The Company	Share premium *note (a)*	Share-based compensation reserve	Convertible bonds equity reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	212,802	30,082	–	(100,311)	142,573
Recognition of equity component of convertible bonds	–	–	524,769	–	524,769
Exercise of convertible bonds	654,670	–	(499,337)	–	155,333
Issue of ordinary share under placement of shares	98,610	–	–	–	98,610
Net loss for the year	–	–	–	(21,369)	(21,369)
At 31 December 2009 and 1 January 2010	966,082	30,082	25,432	(121,680)	899,916
Exercise of convertible bonds	17,013	–	(2,433)	–	14,580
Recognition of equity-settled share based payments	–	27,091	–	–	27,091
Net loss for the year	–	–	–	(270,472)	(270,472)
At 31 December 2010	**983,095**	**57,173**	**22,999**	**(392,152)**	**671,115**

Note:

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

35. SHARE OPTION

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

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

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

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

35. SHARE OPTION (continued)

Movements of share options during the year are as follows:

Name and category of participant	As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2010	Date of granted of share options	Exercise period of share options	Exercise price of share options
Director									
Stephen William Frostick	–	10,000,000	–	–	–	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Employees	–	52,000,000	–	–	–	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Sub-total	29,220,000	52,000,000	–	–	–	81,220,000			
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.38
Consultants	–	138,000,000	–	–	–	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Consultants	–	50,000,000	–	–	–	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK$0.186
Consultants	–	20,000,000	–	–	–	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK$0.186
Sub-total	58,439,900	208,000,000	–	–	–	266,439,900			
Total	87,659,900	270,000,000	–	–	–	357,659,900			

The Group issues equity-settled share-based payments to certain employees and consultant. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

35. SHARE OPTION (continued)

The fair values of the options granted during the year measured as at the date of grant on 31 March 2010, 3 May 2010, and 9 July 2010 were HK$20,610,000, HK$4,613,000 and HK$1,868,000 respectively. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

1. an expected volatility range of 74.08 to 91.43 per cent;
2. expected annual dividend yield range equal to zero;
3. the estimated expected life of the options granted during the year is 3 years; and
4. the quoted interest rate for the Exchange Fund Notes with maturity in 2013 were 1.246 per cent, 1.198 per cent, and 0.945 per cent respectively which are adopted to calculate the fair value of options granted on 31 March 2010, 3 May 2010 and 9 July 2010.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. As changes in subjective input assumptions can materially affect the fair value estimated, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

36. PLEDGE OF ASSETS

No pledged bank deposits as at 31 December 2010. In Year 2009, pledged bank deposits of HK$59.7 million, in which 49% of approximately HK$29.2 million is recorded in Group's current assets, is secured for the bills payable by the jointly controlled entity.

37. BANKING FACILITIES

At 31 December 2010, the Group has no bank facilities.

At 31 December 2009, the Group's banking facilities of approximately RMB6,000,000 are guaranteed by a third party of the Group. And also Group has other banking facility in joint controlled entity amounting to RMB50,000,000 was secured by its trade receivables in joint venture of RMB42 million and RMB15,000,000 was secured by plant and machinery of RMB25.5 million. These two facilities were utilized in the joint venture to the extent of RMB52 million as at the end of reporting period.

38. LEASE COMMITMENTS

At the end of reporting period, the minimum lease payments under non-cancellable operating leases for the land and buildings are payable as follows:

	2010	2009
	HK$'000	*HK$'000*
Operating lease commitments in respect of land and buildings which fall due as follows:		
Within one year	**5,381**	4,545
In more than one year but not exceeding five years	**3,955**	5,996
	9,336	10,541

39. CAPITAL COMMITMENT

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

	2010	2009
	HK$'000	*HK$'000*
Contracted for but not provided	–	23,807

40. BUSINESS COMBINATIONS

Goodwill arising on acquisition

	2010	2009
	HK$'000	*HK$'000*
Cash consideration	–	85,000
Convertible bonds issued as consideration	–	963,000
Total purchase consideration	–	1,048,000
Less: non-controlling interests in sharing fair value adjustments	–	(275)
Less: fair value of identifiable net assets acquired	–	(560,030)
Goodwill recognised in the business combination	–	487,695

Net cash outflow on acquisition of subsidiaries

	2010	2009
	HK$'000	*HK$'000*
Consideration paid in cash	–	(85,000)
Less: cash and cash equivalent balances acquired	–	7,876
Net cash outflow of cash and cash equivalent in respect of the acquisition	–	(77,124)

During 2009, Super Surplus Trading Limited ("Super Surplus") was acquired so as to expend the business to the exploration and development of mineral resources and Wealthy China Group Limited ("Wealthy China") was acquired so as to expend the business to the healthcare information technology.

41. GAIN ON DISPOSAL OF A JOINT VENTURE

On 31 August 2010, the Group disposed of, South Jinkang Automobile Parts and Components Co., Limited which carried out all of its automobile stamping welding parts operations:

Analysis of assets and liabilities of a joint venture was disposed:

	31/8/2010
	HK$'000
Current assets	
Inventories	**49,727**
Trade receivables	**12,768**
Other receivable, deposit and prepayments	**30,290**
Cash and bank balances	**68,616**
Non-current assets	
Property, plant and equipment	**44,025**
Current liabilities	
Trade payables	**(64,474)**
Bills payables	**(45,297)**
Accruals and other payables	**(15,352)**
Deposit received	**(2,549)**
Amounts due to a shareholder	**(31,236)**
Net assets disposed of	**46,518**

The gain on disposal is included in the profit for the year from discontinued operations in the consolidated statement of comprehensive income (see note 10).

41. GAIN ON DISPOSAL OF A JOINT VENTURE (continued)

Gain on disposal of a joint venture:

	31/8/2010
	HK$'000
Consideration received	54,486
Net assets disposed of	(46,518)
Cumulative exchange difference in respect of the net assets	6,214
	14,182

Net cash outflow on disposal of a joint venture:

	31/8/2010
	HK$'000
Consideration received	54,486
Less: cash and cash equivalent balances disposal of	(68,616)
	(14,130)

42. RETIREMENT BENEFIT COSTS

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

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

42. RETIREMENT BENEFIT COSTS (continued)

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

The total cost charged to the consolidated statement of comprehensive income of approximately HK$876,000 (2009: HK$2,799,000) represents contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year ended 31 December 2010 at rates specified in the rules of the relevant schemes at 31 December 2010, contributions due in respect of the current reporting year had not been paid over the relevant schemes was HK$Nil (2009: HK$Nil).

43. RELATED PARTY TRANSACTIONS

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

	2010	2009
	HK$'000	*HK$'000*
Sales of automobile stamping and welding parts and related accessories to Chongqing Changan Jinling Automobile Parts Co., Ltd. ("Chongqing Changan Jinling") (note a)	**12,256**	–
Purchase of raw material from Chongqing Changan Jinling	**–**	14,766

Note:

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

Compensation of key management personnel

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

44. COMPARATIVE FIGURES

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

FINANCIAL SUMMARY

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Results					
Turnover	**388,378**	15,345	287,071	141,812	37,542
Profit (loss) from operations	**136,781**	(345,368)	(59,737)	(45,321)	5,611
Gain on disposal of subsidiaries	**–**	–	1,402	–	1,121
Finance costs	**(6,729)**	(12,285)	(3,137)	(1,154)	(600)
Profit (loss) before tax	**130,052**	(357,653)	(61,472)	(46,475)	6,132
Income tax (expense) credit	**–**	(143)	520	(1,236)	(1,320)
Profit (loss) for the year from continuing operations	**130,052**	(357,796)	(60,952)	(47,711)	4,812
Profit (loss) before tax from discontinued operations	**9,241**	4,602	–	–	–
Income tax expenses	**(2,563)**	(1,529)	–	–	–
Profit (loss) for the year from discontinued operations	**6,678**	3,073	–	–	(17,451)
	136,730	(354,723)	(60,952)	(47,711)	(12,639)
Profit (loss) attributable to shareholders	**140,006**	(354,285)	(60,948)	(47,570)	(4,815)
Profit (loss) attributable to non-controlling interests	**(3,276)**	(438)	(4)	(141)	(7,824)
Net profit (loss) for the year	**136,730**	(354,723)	(60,952)	(47,711)	(12,639)
Assets and liabilities					
Total assets	**1,266,705**	1,204,681	386,276	380,752	74,897
Total liabilities	**(351,339)**	(477,244)	(180,113)	(109,741)	(38,371)
Non-controlling interests	**(1,233)**	(4,509)	–	451	310
Shareholders' funds	**914,133**	722,928	206,163	271,462	36,836