CHINA BEST

國華集團

CHINA BEST GROUP HOLDING LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

Annual Report **2009**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Ma Jun Li *(Chairman)*
Mr. Ng Tang *(Deputy Chairman)*
Mr. Zhang Da Qing *(Chief Executive Officer)*
Mr. Ren Zheng
Ms. Cheung Hoi Ping

Non-Executive Director

Ms. Yao Haixing

Independent Non-Executive Directors

Ms. Chung Kwo Ling
Mr. Chan Ngai Sang Kenny
Ms. Xing Hua

Company secretary

Mr. Ho Wing Kuen

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Rm. 3405, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Auditors

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

Principal Bankers

HSBC
Industrial of Commercial Bank of China
China Construction Bank

Principal Share Registrars and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Wednesday, 5 May 2010 to Friday, 7 May 2010 (both days inclusive), during which period no transfer of shares will be registered.

Chairman's Message

In 2009, the Group disposed of its entire equity interests in Funeway Investments Limited, a wholly-owned subsidiary of the Group engaging in the production of coke and holding 51% equity interests in Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing"). A resolution in respect of the disposal was unanimously passed by the shareholders at the special general meeting held on 15 July 2009. The disposal enabled the Group to divest Shanxi Changxing, which was debt-burdened and heavy loss-making. It is expected that the strategy of the Group will be to maintain its focus on developing the raw coal mining and coke manufacturing business as its major business and to identify any suitable acquisition of other projects of different kinds of energy resources.

The freight forwarding business suffered from the deteriorating economy. Besides the U.S. market which was particularly hard hit by the financial turmoil, the operations in Singapore was also impacted by the global economic downturn and both of them recorded a loss in 2009.

Eventually, the global economy hit the bottom in 2008 and became stable in 2009. The subsequent rebound of the stock market allowed the Group to obtain satisfactory returns on its securities investment of the surplus fund.

Overall, the results of the Group for the year of 2009 maintained the momentum in 2008 and recorded a slight profit as compared to the corresponding period last year, thereby offering the shareholders with profit contributions.

In respect of the possible acquisition of 60% equity interests in ChongHou Energy Resources Limited ("ChongHou Energy"), that was a subsidiary of Asset Rich International Limited ("Asset Rich"), the Group would then become its controlling shareholder. However, due to the failure of completing all the required legal procedures and the unsatisfactory result of the due diligent work, as well as taking into account the expiry of the long-stop date, the board of directors (the "Board") decided to negotiate with Asset Rich for the termination of the acquisition. A cancellation agreement was then entered into by the parties and the deposit paid was refunded in full.

As stated in the circular dated 26 May 2009 the Board proposed a capital reorganisation involving capital reduction and share subdivision. A resolution in respect of the proposed capital reorganisation was passed at the special general meeting held on 17 June 2009. In addition, as stated in another circular dated 15 September 2009, the Board proposed another capital reorganisation involving share consolidation and the increase in board lot size. On 6 October 2009, a resolution in respect of the second capital reorganization was passed at the special general meeting in compliance with the requirements of the Stock Exchange.

Chairman's Message

FUTURE PROSPECT

In 2010, the Group will continue its development of the raw coal mining and coke manufacturing business as major businesses by further acquiring coal mines and coke manufacturing projects. Meanwhile, the Group is committed to speed up the acquisitions through its good relationship with the government and the business sector and expand its streams of revenue under a coordinated process. The Group also aims at developing its business portfolio for expanding its business into other provinces with minerals reserves in the PRC, such as Inner Mongolia, and seeking new business opportunities.

Moreover, in addition to the development of mineral resources such as coal and coke, the Group will try to consider diversifying part of its investment by introducing future new energy resources to the PRC. The Group is confident that coal and coke will still remain as important resources in the future. We will maintain the business strategy of developing different kinds of energy businesses which comprise both new and clean energy such as solar energy as well as unclean raw coal and coke energy, with an aim to align with the national policy on the rapid economic development of the PRC.

Ma Jun Li
Chairman

Hong Kong, 26 March 2010

Management Discussion and Analysis

	2009 Final *HK$'M*	2008 Final *HK$'M*	**2009vs08 Difference *HK$'M***
Financial Results Highlight			
Turnover	**245.8**	632.4	(386.6)
Gross Profit	**2.0**	(19.8)	21.8
Other operating Income	**35.8**	147.5	(111.7)
Total Expenses	**(31.5)**	(114.9)	(83.4)
NPBT&M	**6.3**	13.1	(6.8)
NPAT&M	**6.3**	13.0	(6.7)
Extract of Financial Affairs			
Total Assets	**389.1**	402.6	(13.5)
Total Liabilities	**(19.8)**	(38.3)	(18.5)
Net Current Assets	**359.3**	54.9	304.4
Cash and Bank Balance	**314.5**	22.0	292.5
Total Net Assets	**369.4**	364.4	5.0

The consolidated turnover of the Group amounted to HK$245,800,000 for the year ended 31 December 2009 (2008: HK$632,400,000). Total gross profit was approximately HK$2,000,000 (2008: HK$19,800,000 gross loss). For the year ended 31 December 2009, the Group recorded net of other operating incomes (net of other expenses) of HK$35,800,000 (2008: HK$147,500,000) and total expenses of HK$31,500,000 (2008: HK$114,900,000) and net profit before Taxation and Minority Interest HK$6,300,000 (2008: HK$13,100,000). Finally, the net profit after Taxation and Minority Interest was approximately HK$6,300,000 (2008: HK$13,000,000).

BUSINESS REVIEW

Coke Business

There was no turnover of coke/coal enterprise for the year ended 31 December 2009 (2008: HK$433,352,000). No gross profit was made (2008: HK$25,380,000 loss).

The Group successfully divested Shanxi Changxing, which was debt-burdened and heavy loss-making.

Freight Forwarding Business

The turnover of the Group's international forwarding agency business was HK$6,016,000 (2008: HK$14,938,000), representing a decrease of 60% as compared to the previous corresponding period. Total gross profit was HK$1,995,000 (2008: HK$3,257,000), a decrease of HK$1,262,000 comparing with the previous corresponding period.

The group's freight forwarding business was dropped as international freight forwarding business had still faced the keen competition and slump global economy.

Management Discussion and Analysis

Securities Investment

The total transaction volume of the Group's securities investment business was HK$239,762,000 (2008: HK$183,499,000), representing an increase of 31% as compared to the previous corresponding period. The realised and unrealised gain on a fair value adjustment of was HK$18,617,000 for investments held for trading during the year ended 31 December 2009 (2008: HK$72,124,000).

The subsequent rebound of the stock market allowed the Group to obtain satisfactory returns on its securities investment of the surplus fund.

LIQUIDITY AND CASHFLOW RESOURCES

The gearing ratio maintained is nearly at zero (2008: zero) and the current ratio greatly increased from 2.43 to 19.17. The calculation of gearing ratio is based on interest bearing borrowings of HK$161,000 (2008: nil) and the shareholders' equity of HK$369,355,000 (2008: HK$364,418,000) at the balance sheet date. The calculation of current ratio is based on the current assets of HK$379,057,000 (2008: HK$93,135,000) and the current liabilities of HK$19,775,000 (2008: HK$38,266,000) at the balance sheet date.

The cash and bank was HK$314,500,000 (2008: HK$22,000,000) and the Group got strong cash position at the balance sheet date. The Group have sufficient and readily available financial resources for both general working capital purpose and feasible acquisition of the proposed investment in the coal or coke industry in the PRC may encounter or contemplate in the future.

PLEDGE OF ASSETS

At the balance sheet date, the Group's securities of HK$161,000 (2008: nil) were pledged to brokers to secure the margin loan. At the balance sheet date, there was no other significant assets (2008: nil) pledged to banks to secure general banking facilities granted to the Group and the post dated bills payable.

CAPITAL EXPENDITURE

For the year ended 31 December 2009, the Group incurred a total capital expenditure of HK$1,241,000 (2008: HK$61,250,000), which was funded by its own financial resources and bank borrowings. Of which, approximately HK$1,241,000 (2008: HK$700,000) spent mainly on leasehold improvements and office equipment. No further capital expenditures were spent on development of the production facilities in Shanxi, Mainland China (2008: HK$54,000,000) and for acquisition of investment property in Beijing (2008: HK$7,500,000).

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, US dollars and Renminbi. During the period, there was no significant fluctuation in the exchange rates of the Hong Kong dollars and US dollars. The appreciation in the currency value of the Renminbi may have some impact especially for the joint venture in PRC. The Group will take a prudent approach for this impact but do not engage in any derivative activities and not commit to any financial instruments to hedge its balance sheet exposure in 2009.

CHANGE OF DIRECTORSHIP

On 20 January 2009, Mr. Zhang Jun was resigned as executive director of the Company.

On 11 May 2009, Mr. Sun Yeung Yeung was resigned as independent non-executive director of the Company.

On 2 June 2009, Ms. Yao Haixing was appointed as non-executive director of the Company and re-elected in the Special General Meeting dated 17 June 2009.

On 20 July 2009, Ms. Xing Hua was appointed as independent non-executive director of the Company and re-elected in the Special General Meeting dated 6 October 2009.

EMPLOYEE AND HUMAN RESOURCES POLICY

The Group had approximately 32 staffs at 31 December 2009 (2008: 530). The remuneration of employees was determined with reference to the market terms, their qualification, experience and performance to the Company. The total staff costs incurred for the year ended 31 December 2009 was approximately HK$8,593,000 (2008: HK$10,027,000).

CAPITAL RE-STRUCTURE

As at 26 May 2009, the Group issued a Circular for the Capital Reduction and Share Subdivision through a cancellation of the issued capital of the Company to the extent of HK$0.04 on each of the issued Shares such that the nominal value of each issued Shares had been reduced from HK$0.05 to HK$0.01, and the credit arising from the reduction of the issued share capital in the aggregate amount of approximately HK$421,959,169.16 had been applied towards setting off against part of the accumulated losses of the Company. As at 17 June 2009, this resolution had been passed as a Special Resolution in the Special General Meeting by the Shareholders.

As at 18 September 2009, the Group also issued a Circular for the Proposed Share Consolidation and Change of Board Lot size. The issued and unissued share capital will be consolidated on the basis of 5 shares of HK$0.01 into one Consolidated Share of HK$0.05 each. As a result, the authorised share capital will be consolidated from HK$250,000,000,000 of 250,000,000,000 shares to 50,000,000,000 while issued shares from 10,548,979,229 shares to approximately 2,109,795,845 shares. Furthermore, the Board Lot size increased from 2,000 to 20,000. An ordinary resolution of approval aforesaid was considered and approved in the Special General Meeting as at 6 October 2009.

Management Discussion and Analysis

BUSINESS PROSPECT

The Group is principally engaged in coke processing, international air and sea freight forwarding and the provision of logistics services as well as trading of securities. In order to strengthen the core business – coal and coke processing, we continue to dig out investment opportunities for business development.

Furthermore, we will also develop our business the new energy. The Group had decided to strengthen the financial position and re-locate more resources to occupy our unique market position in China. Through our group's international exposure in management & financing, and followed the National policy of PRC, we are confident to develop a successful business model to obtain high contribution and stable revenue from energy in the future.

Material Disposal and Termination of Possible Acquisition

On 27 November 2008, the Company entered into the Disposal Agreement with Profit Firm whereby the Company was disposed the entire interest in Funeway at a consideration of HK$15 million of which full amount be received, and the disposal was subsequently completed on the Special General Meeting at 15 July 2009. The disposal had successfully divested Shanxi Changxing, which was debt-burdened and heavy loss-making to the Group.

On 3 March 2008, the Group entered into a non-legally binding memorandum of understanding ("MOU") with Asset Rich for the possible acquisition of an equity interest in a coal mining and a coke processing venture, namely, Inner Mongolia Qipanjing Mining Co., Ltd. and Inner Mongolia Qipanjing Coking Co., Ltd. respectively. On 27 November 2008, Clearmind Investments Limited ("Clearmind"), a wholly-owned subsidiary of the Company, entered into the Possible Acquisition Agreement with Asset Rich at the consideration of HK$720 million of which HK$305 million refundable deposit paid to acquire 60% interest of ChongHou Energy which be terminated on 11 August 2009. All the deposits were paid back to the Group at the end of September 2009.

Short-term strategy – 2009

At the first stage of re-structure, the Board reduced the scale in the business activities of freight forwarding by transfer out the equity interest in the associated company, Shanghai International Airlines Services Co. Limited at a consideration of RMB4 million in November 2008 and was subsequently completed at January 2009.

At the second stage of re-structure, the Board had decided to dispose its investment property and some non-current assets in PRC. The Group disposed the interest in a PRC subsidiary, China Best Jet-Air Logistics Consultancy Limited with non-core investments at a consideration of HK$8 million of which full amount be received at the fourth quarter of 2009.

Management Discussion and Analysis

Long-term strategy

The Group has planned to be the leader of the newly growing business in energy of PRC. With comparative advantages such as contemporary international management exposure and financing experience plus deeply understanding the trend of energy businesses for PRC National policy, the Group is confident to develop different successful business models to obtain high growth rate and stable revenue from coal, coking processing and new energy in the future. For diversification, the Group had allocated US$28 million and prepared to invest by setting up a PRC WOFE, Liyang Guohua New Energy Co. Ltd. of new energy business in Jiansu at the fourth quarter of 2009.

Although the stringent environmental legislations and recent Global Financial Crunch may have impact for the industry, PRC still maintains as an economic region with stable continuous health growth. The future development prospect of coal and coke industry in PRC is considered to be optimistic because the increase of internal demand of PRC economy will stimulate the demand of mobile vehicles in the villages. Furthermore, some other favourable macro national policies of PRC publicized to give incentive for the new clean energy.

It is expected China will be the one who will be the first recovered economy after the Global Financial Crisis. It is also a great opportunity for us to strength our energy business activities after the start of purchasing coal mines and development of our coke processing which considered to be invaluable scarcity of energy resource in the future.

Corporate Governance Report

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2009.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") are applied and implemented are explained in the following parts of this Corporate Governance Report:

CORPORATE GOVERNANCE PRACTICES

The Group strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasize a quality Board, effective internal control and accountability to shareholders.

The Board of the Company believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence.

The CG Code contained in Appendix 14 of the Listing Rules sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

(a) code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Throughout the year ended 31 December 2009, the Company has complied with the code provisions set out in the CG Code, save for the deviations from code provision A.4.1 which is explained in the relevant paragraph in this Report.

The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the CG Code and align with the latest developments.

Corporate Governance Report

BOARD OF DIRECTORS

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the best interests of the Company.

The Board sets policy direction and approves strategies/operational plans to ensure effective functioning and growth of the Company, in the interests of all shareholders.

Every director shall ensure that he/she carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board undertakes responsibility for decision making in major Company matters, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

BOARD COMPOSITION

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

The Board currently comprises 9 members, consisting of 5 executive directors, 1 non-executive director and 3 independent non-executive directors.

The list of all directors is set out under "Corporate Information" on page 2 and all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Corporate Governance Report

Members of the Board are unrelated to one another.

During the year ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functions. Independent non-executive directors are invited to serve on the Audit, Nomination, Risk Management and Remuneration Committees of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its works performed during the year ended 31 December 2009 are set out in the "Board Committees" section below.

In accordance with the Company's Bye-laws which were amended by a special resolution at the annual general meeting held on 30 May 2007 for the purpose of compliance with the CG Code, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Although the non-executive directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

TRAINING FOR DIRECTORS

Each newly appointed director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Continuing briefings and professional development to directors will be arranged whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

During the year ended 31 December 2009, four regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Most important resolutions agreed in Board meeting had already been made by all directors including both executive and independent non-executive directors; therefore, no Risk Management Committee meeting were held for the year ended 31 December 2009.

The attendance records of each director at the meetings of the Board, Nomination Committee, Remuneration Committee, and Audit Committee during the year ended 31 December 2009 are set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board Regular**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Ma Jun Li *(Chairman)*	4/4	2/2	3/3	–
Ng Tang *(Deputy Chairman)*	3/4	2/2	3/3	–
Zhang Da Qing *(Chief Executive Officer)*	4/4	–	–	–
Ren Zheng	2/4	–	–	–
Cheung Hoi Ping	4/4	–	–	–
Zhang Jun (Resigned on 20.1.2009)	0/0	–	–	–
Yao Haixing (Appointed on 2.6.2009)	1/1	–	–	–
Chung Kwo Ling	1/1	2/2	3/3	2/2
Sun Yeung Yeung (Resigned on 11.5.2009)	–	–	1/1	1/1
Chan Ngai Sang Kenny	1/1	2/2	3/3	2/2
Xing Hua (Appointed on 20.7.2009)	–	–	1/1	1/1

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

Corporate Governance Report

The Chief Executive Officer and Company Secretary attend almost all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable period of time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

The Company's Bye-laws also contain provisions requiring directors to abstain from voting (or not be counted in the quorum) at meetings for approving transactions in which such directors or any of their associates have material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer are held by Ms. Ma Jun Li and Mr. Zhang Da Qing respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

BOARD COMMITTEES

The Board has established four committees, namely Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

NOMINATION COMMITTEE

The Nomination Committee comprises 2 executive directors and 3 independent non-executive directors, namely Ms. Ma Jun Li as Chairman of the Committee and Mr. Ng Tang, Mr. Chan Ngai Sang Kenny, Ms. Chung Kwo Ling and Ms. Xing Hua as members.

The principal duties of the Nomination Committee include:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To develop and formulate relevant procedures for nomination and appointment of directors and senior management;
- To identify suitable candidates for appointment as directors and senior management;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for directors and senior management; and
- To assess the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships and senior management by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

The attendance records of the Nomination Committee are set out under "Board Committees Meetings" on page 13.

In accordance with the Company's Bye-laws, Mr. Zhang Da Qing, Mr. Ren Zheng and Ms. Cheung Hoi Ping shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming 2010 annual general meeting.

The Nomination Committee recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, namely Ms. Ma Jun Li as Chairman of the Committee and Mr. Ng Tang, Mr. Chan Ngai Sang Kenny, Ms. Chung Kwo Ling and Ms. Xing Hua as members. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the individual performance and the operating results of the Company as well as the market conditions and practice.

During the year ended 31 December 2009, the Remuneration Committee had reviewed the existing remuneration packages of each Director and recommend the new remuneration of Chief Executive Officer of the Group, Mr. Zhang Da Qing, for the Board's approval.

The attendance records of the Remuneration Committee are set out under "Board Committees Meetings" on page 13.

The Remuneration Committee normally meets for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters when needs arise. The Human Resources Division is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises 3 executive directors and 3 independent non-executive directors, namely Ms. Ma Jun Li as Chairman of the Committee and Mr. Ng Tang, Mr. Zhang Da Qing, Mr. Chan Ngai Sang Kenny, Ms. Chung Kwo Ling and Ms. Xing Hua as members. The Risk Management Committee primarily focuses on raising the level of management awareness of, and accountability for the business risks faced by the Group's business operations. In meeting its responsibilities, the Committee seeks to put in place policies and procedures to provide a framework for identification and management of risks.

The Risk Management Committee normally meets for prioritizing and accelerating those risk management strategies that are critical to the advancement of the Group's objectives and ensuring that sufficient resources and appropriate level of support from the management are allocated. The Risk Management Committee shall consult the Chairman and/or the Chief Executive Officer of the Company about the effectiveness of their recommendations and escalate to the Board of any risks relating to material transactions in the ordinary course of business and unusual transactions exceed the scope of principal business activities of the Group.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Ms. Chung Kwo Ling, Mr. Chan Ngai Sang Kenny and Ms. Xing Hua. Among the committee members, two of them possess the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held three meetings during the year ended 31 December 2009 to review the financial results and reports, financial reporting and compliance procedures, report of Internal Auditor on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

The Company's annual results for the year ended 31 December 2009 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

The Company also has established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2009.

The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with.

Corporate Governance Report

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent auditor's report" on page 30.

An analysis of the remuneration paid to the external auditors of the Company is shown on note 11 of the "Notes to the Consolidated Financial Statements" on page 63.

INTERNAL CONTROL

During the year under review, the Company engaged SHINEWING Risk Services Limited to initiate an independent review covering the financial, operational, compliance and risk management aspects of the finance and major operational functions for the Group. Internal Control Report was presented to and reviewed by the Audit Committee.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

The key elements of the Group's internal control system include the following:

- the organizational structure is clearly defined with distinct lines of authority and control responsibilities.
- a comprehensive financial accounting system has been established to provide for performance measurement indicators and to ensure compliance with relevant rules.
- the senior management shall prepare annual plans on financial reporting, operations and compliance aspects by reference to potential significant risks.
- unauthorized expenditures and release of confidential information are strictly prohibited.
- specific approval by executive director prior to commitment is required for all material matters.
- the management shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

To promote effective communication, the Company maintains a website at www.cbgroup.com.hk, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders are contained in the Company's Bye-laws. Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and the poll procedures will be explained during the proceedings of meetings.

Poll results will be published in newspapers on the business day following the shareholders' meeting at which voting is taking on a poll and posted on the websites of the Company and of the Stock Exchange.

Directors and Senior Management

Ms. Ma Jun Li

Chairman and Executive director

Aged 46, she was appointed as Executive director on 29 August 2003 and was elected as Chairman of the Board on 25 November 2005. Ms. Ma has extensive experience in corporate and administration management in both PRC and Hong Kong. Ms. Ma is the spouse of the former Chairman of the Company, Mr. Wang Jian Hua.

Mr. Ng Tang

Deputy Chairman and Executive director

Aged 48, appointed on 31 October 2001. He has over 15 years' experience in corporate management both in Hong Kong and the PRC. He graduated from The East China University of Politics and Law Department (中國華東政法學院法律專業(大專)) and was the manager of 中國汽車工業進出口廈門公司 from early 1990 to August 1992. He was also appointed managing director of 中國汽車工業進出口(香港)有限公司 since May 1995. Mr. Ng is currently an executive director of China Nonferrous Metals Company Limited, the shares of which are listed on the Stock Exchange in Hong Kong.

Mr. Zhang Da Qing

Chief Executive Officer and Executive director

Aged 49, appointed on 5 June 2007, is an Executive Director and Chief Executive Officer of the Company. Mr. Zhang had worked in various departments of Air China Limited (中國國際航空公司) for many years and had abundant experience. Mr. Zhang was mainly responsible for the duties of management, administration and finance. Mr. Zhang has been appointed as a director of a former-subsidiary, in August 2006 and then as an Executive director and Chief Executive Officer on 5 June 2007.

Mr. Ren Zheng

Executive director

Aged 36, appointed on 6 November 2002. Mr. Ren graduated from the San Francisco State University in the United States with a Master degree of engineering. He is responsible of the business development of the Group in China.

Ms. Cheung Hoi Ping

Executive director

Aged 40, appointed on 29 August 2003. She has several years of experience in the field of education and finance business. She graduated from Harvard University, U.S.A. with a master degree in education.

Directors and Senior Management

Ms. Yao Haixing
Non-executive director
Aged 63, appointed on 2 June 2009, is a senior economist. She obtained her undergraduate degree from 法國語言學院. Ms. Yao served on the PRC Embassy in France and the Department of Western European Affairs of the Ministry of Foreign Affairs of China for years. Ms. Yao attended the courses on international finance organised by the Ministry of Foreign Affairs and studied the MBA programme in the Swedish International Development Cooperation Agency (SIDA) and later studied Western economics in the Université Paris Dauphine. Subsequently, she has been serving in the financial trust industry for nineteen years and has extensive experience in trust operation and management. Ms. Yao specializes in corporate management and the design of sizeable financial trust products. She has acted as the deputy general manager of CITIC Development Co., Ltd., the general manager and the vice chairwoman of CITIC Trust Co., Ltd., and chairwomen and directors of certain investee companies of CITIC. Ms. Yao officially retired in January 2007. She is currently an independent director of Suzhou Trust Co., Ltd., a member of the Expert Committee（專家委員會）of the China Trustee Association, and the vice chairwoman of Zhongxing Shenyang Commercial Building Group Co., Ltd., a listing company in Shenzhen.

Ms. Yao has profound knowledge about the field of finance and economic, particularly financial trust, in China, and has published a number of special features in professional publications and magazines. Ms. Yao is proficient in French language and is the co-translator of various publications such as《第五共和國的外交》,《當中國改變世界》(Quand La Chine Change Le Monde).

Ms. Chung Kwo Ling
Independent non-executive director
Aged 37, appointed on 21 June 2000 as independent non-executive director and now as Audit Committee Member. She has over 11 years of experience in the PRC, Hong Kong and international trading business.

Mr. Chan Ngai Sang Kenny
Independent non-executive director
Age 45, appointed on 21 August 2008, is a partner and founder of Kenny Chan & Co., a firm of Certified Public Accountants. Mr. Chan has over twenty years experience in accounting, taxation, auditing and corporate finance and has involved in several merger and acquisition and initial public offering projects. Mr. Chan holds a Bachelor of Commerce degree from the University of New South Wales and is a member of the Institute of Chartered Accountants of New Zealand, The Association of International Accountants, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Chan is presently serving as the District Governor of Lions Clubs International District 303 – Hong Kong & Macau, China. Mr. Chan also serves on several tribunals of the HKSAR Government which includes The Administration Appeals Board, The Registration of Persons Tribunal and The Solicitors Disciplinary Tribunal Panel. He also serves as a committee member of the Association of International Accountants Hong Kong Branch. Mr. Chan is an independent non-executive director of Goldmond Holdings Limited, a company listed on the Growth Enterprise Market of the Hong Kong Exchange and TSC Offshore Group Limited, a company listed on the Main Board of the Hong Kong Exchange.

Directors and Senior Management

Ms. Xing Hua

Independent non-executive director

Aged 46, appointed on 20 July 2009, holds a bachelor's degree in global economics of the School of Economics at Peking University with outstanding graduate honor and a master's degree in finance with a major in international finance at the Graduate School of the People's Bank of China. Ms. Xing had extensive experience in finance, investment and management. She worked for the Division of Planning and Statistics of the State Administration of Foreign Exchange, served as secretary of the chairperson of China Everbright Group, secretary of the board of directors of China Everbright Bank as well as executive director and deputy general manager of China Everbright International Limited, a company listed in Hong Kong, being responsible for managing investors affairs, dealing with funds managers and analysts and organizing company roadshows. She also worked as a chief executive officer of 北大財富網絡有限公司, a content provider of online shares and bonds transactions, and a vice president of Daton Securities Co., Ltd., an integrated securities company registered in the People's Republic of China, overseeing the investment banking business and e-commerce business. She is currently the general manager of 中科金促咨詢公司. Ms. Xing was also the vice president of the Peking University Alumni Association (Hong Kong).

Mr. Wang Jian Hua

Group BOD Advisor

Aged 47, Mr. Wang Jian Hua is the former Chairman of the Company. He has extensive experience in investment and corporate management in the area of high-technology in the PRC. He was appointed as managing director of Beijing Zhongxie Tiandi Investment Consultant Company Limited (北京中協天地投資顧問有限公司) in August 1997. He has been involved in the investment of Beijing Zhongxie Tiandi Investment Consultant Company Limited (北京中協天地投資顧問有限公司) in Beijing Tianqiao Beida Jade Bird Sci-Tech Company Limited (北京市天橋北大青鳥科技股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange in the PRC and was appointed as director of the latter company since December 1998. He participated actively in the acquisition of Weifang Beida Jade Bird Huaguang Technology Company Limited (濰坊北大青鳥華光科技股份有公司) by Beijing Tianqias Beida Jade Bird Sci-Tech (北京市天橋北大青鳥科技股份有限公司) and was appointed as a director of Weifang Beida Jade Bird Huaguang Technology Company Limited (濰坊北大青鳥華光科技股份有限公司) in March 2000.

Mr. Ho Wing Kuen

Financial Controller and Company Secretary

Aged 48, he has over 22 years of experience in accounting and auditing and financial management. He holds a master degree in business administration and a degree in China Law. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its associate and principal subsidiaries are set out in notes 20 and 41, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 32 of the annual report.

INVESTMENT PROPERTY

The Group's investment property at 31 December 2009 were revalued by an independent firm of professional property valuers on a fair value basis. Details of the investment property of the Group during the year are set out in note 19 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2009, in the opinion of the directors, the Company had no reserves available for distribution to shareholders (2008: Nil).

Directors' Report

DIRECTORS

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

Executive directors:

Ms. Ma Jun Li *(Chairman)*
Mr. Ng Tang *(Deputy Chairman)*
Mr. Zhang Da Qing *(Chief Executive Officer)*
Mr. Ren Zheng
Ms. Cheung Hoi Ping
Mr. Zhang Jun *(resigned on 20 January 2009)*

Non-executive director:

Ms. Yao Haixing *(appointed on 2 June 2009)*

Independent non-executive directors:

Ms. Chung Kwo Ling
Mr. Sun Yeung Yeung *(resigned on 11 May 2009)*
Mr. Chan Ngai Sang Kenny
Ms. Xing Hua *(appointed on 20 July 2009)*

In accordance with the clause 87(1) of the Company's Bye-laws, Mr. Zhang Da Qing, Mr. Ren Zheng and Ms. Cheung Hoi Ping will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The term of office of each independent non-executive director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are still independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES

As at 31 December 2009, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Long position

Ordinary shares of HK$0.05 each

Name of directors		Capacity	Interest in shares	Percentage of the issued share capital of the Company
Ms. Ma Jun Li	*Note 1*	Deemed Interest	660,558,000	31.31%
Mr. Ng Tang	*Note 2*	Interest by attribution	9,259,200	0.44%
Mr. Ren Zheng		Beneficial owner	400,000	0.02%

Notes:

1. The shares represent deemed interest of Ms. Ma Jun Li by virtue of her spouse, Mr. Wang Jian Hua, being a substantial shareholder of the Company having a notifiable interest in the Company of such 634,161,600 shares were held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding more than one third of voting rights of Best Chance Holdings Limited. Furthermore, 26,396,400 shares are held and beneficially owned by Mr. Wang Jian Hua.

2. 9,259,200 shares were held by Power Win Group Limited. By virtue of the SFO, Mr. Ng Tang holding more than one third of voting rights of Power Win Group Limited, was deemed to be interested in the same 9,259,200 shares held by Power Win Group Limited.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 31 December 2009, none of the directors and chief executives, nor their associates, had any interests or short positions in any shares, underlying shares or convertible bonds of the Company or any of its associated corporations.

Directors' Report

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in Note 32 to the consolidated financial statements.

The following table discloses movements in the share options of the Company during the year:

The 2002 Scheme

	Date of grant	Exercisable period	Adjustment exercise price *(Note)* Before	After	Number of share options: Outstanding as at 1.1.2009	Granted/ (Exercised)/ (Forfeited)/ (Lapsed) during the year	*(Note)* Share consolidation quantity adjustment during the year	Outstanding as at 31.12.2009
Other employees	5.10.2004	5.10.2004 to 5.10.2014	0.0634	0.3170	1,123,746	–	(898,997)	224,749
	26.9.2005	26.9.2005 to 25.9.2015	0.0739	0.3695	5,843,478	–	(4,674,782)	1,168,696
	20.8.2007	20.8.2007 to 20.8.2017	0.1255	0.6275	101,137,124	–	(80,909,699)	20,227,425
Sub-total					108,104,348	–	(86,483,478)	21,620,870
Other eligible persons	5.10.2004	5.10.2004 to 5.10.2014	0.0634	0.3170	28,093,645	–	(22,474,916)	5,618,729
	26.9.2005	26.9.2005 to 25.9.2015	0.0739	0.3695	338,247,492	–	(270,597,994)	67,649,498
	20.8.2007	20.8.2007 to 20.8.2017	0.1255	0.6275	135,973,244	–	(108,778,596)	27,194,648
	7.9.2007	7.9.2007 to 7.9.2017	0.1370	0.6850	67,424,749	–	(53,939,800)	13,484,949
	28.9.2007	28.9.2007 to 28.9.2017	0.1477	0.7385	22,474,916	–	(17,979,933)	4,494,983
Sub-total					592,214,046	–	(473,771,239)	118,442,807
Total					700,318,394	–	(560,254,717)	140,063,677

Note: Upon completion of the Share Consolidation to qualifying shareholders during the year, adjustments on the exercise prices and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the share options as disclosed in the above table were made on 6 October 2009 pursuant to the terms of the 2002 Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the option holdings above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries, was a party and in which a director 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.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES AND SHORT POSITION IN SHARES

As at 31 December 2009, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, had interests and short positions in the Company's shares which falls to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Long position

Ordinary shares of HK$0.05 each of the Company

Name	Capacity	Interest in shares	Percentage of the Company's issued share capital
Mr. Wang Jian Hua	Controlled corporation *(Note 1)*	634,161,600	30.06%
	Beneficial owner	26,396,400	1.25%
Best Chance Holdings Limited	Beneficial owner *(Note 2)*	634,161,600	30.06%
Harbinger Capital Partners Special Situations Fund L.P.	Beneficial owner *(Note 2)*	306,500,533*	14.53%
Harbinger Capital Partners Special Situations GP, LLC	Controlled corporation *(Note 2)*	306,500,533*	14.53%
Harbinger Holdings, LLC	Controlled corporation *(Note 2)*	306,500,533*	14.53%
Mr. Falcone Philip	Controlled corporation *(Note 2)*	306,500,533*	14.53%

* *Adjustment for the Share Consolidation effective 7 October 2009*

Directors' Report

Notes:

(1) 634,161,600 shares was held by Best Chance Holdings Limited. By virtue of the SFO, Mr. Wang Jian Hua holding 100% of voting rights of Best Chance Holdings Limited was deemed to be interested in the same 634,161,600 shares of the Company.

(2) As Harbinger Capital Partners Special Situations Fund L.P. was wholly-owned by Harbinger Capital Partners Special Situations GP, LLC, Harbinger Capital Partners Special Situations GP, LLC was deemed to be interested in these 306,500,533 Shares held by Harbinger Capital Partners Special Situations Fund L.P. As Harbinger Capital Partners Special Situations GP, LLC was wholly-owned by Harbinger Holdings, LLC, Harbinger Holdings, LLC was deemed to be interested in these 306,500,533 Shares held by Harbinger Capital Partners Special Situations Fund L.P. As Harbinger Holdings, LLC was wholly-owned by Mr. Philip Falcone, Mr. Philip Falcone was deemed to be interested in these 306,500,533 Shares held by Harbinger Capital Partners Special Situations Fund L.P.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers for the year ended 31 December 2009 were less than 30% of the total sales. The aggregate purchase attributable to the Group's five largest suppliers for the year ended 31 December 2009 were less than 30% of the total purchases.

EMOLUMENT POLICY

The Board established the Remuneration Committee in accordance with the Listing Rules. The Committee comprises Ms. Ma Jun Li, Mr. Ng Tang, Ms. Chung Kwo Ling, Mr. Chan Ngai Sang Kenny and Ms. Xing Hua.

Summary of duties and works of the Remuneration Committee is set out in the "Corporate Governance Report" in this annual report.

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

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group'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 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2009.

AUDITORS

The consolidated financial statements for the year have been audited by SHINEWING (HK) CPA Limited, the auditors of the Company, who retire and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Ma Jun Li
CHAIRMAN
26 March 2010

Independent Auditor's Report

信永中和
ShineWing

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

TO THE SHAREHOLDERS OF CHINA BEST GROUP HOLDING LIMITED
國華集團控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Best Group Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 89, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's 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.

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

Hong Kong
26 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover	7	**245,778**	632,419
Revenue	8	**6,661**	450,644
Cost of sales		**(4,666)**	(470,444)
Gross profit (loss)		**1,995**	(19,800)
Other income	9	**323**	3,344
Selling and distribution expenses		**–**	(11,338)
Administrative expenses		**(31,396)**	(72,584)
Fair value change on investment properties	19	**(143)**	(368)
Realised gain (loss) on investments held for trading		**19,199**	(85,543)
Fair value (loss) gain on investments held for trading		**(582)**	13,419
Impairment loss on property, plant and equipment	17	**–**	(28,162)
Gain on deconsolidation of subsidiaries	14	**–**	244,809
Gain on disposal of subsidiaries	33	**17,130**	–
Loss on disposal of an associate	29	**(114)**	–
Finance costs	10	**(93)**	(30,963)
Share of results of an associate	20	**–**	278
Profit before taxation	11	**6,319**	13,092
Taxation	13	**43**	(125)
Profit for the year attributable to owners of the Company		**6,362**	12,967
Other comprehensive income for the year attributable to owners of the Company:			
Exchange differences on translating foreign subsidiaries		**(492)**	9,626
Total comprehensive income for the year attributable to owners of the Company		**5,870**	22,593
Earnings per share	16		
Basic and diluted		**0.3 HK cents**	0.8 HK cents

Consolidated Statement of Financial Position

As at 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	*17*	**713**	4,278
Investment properties	*19*	**1,860**	8,820
Interests in an associate	*20*	**–**	–
Available-for-sale investments	*21*	**7,500**	7,500
Deposit paid for acquisition of subsidiaries	*22*	**–**	287,709
Club debentures	*23*	**–**	1,242
		10,073	309,549
Current assets			
Trade and other receivables	*24*	**1,754**	4,656
Short-term loan receivables	*25*	**–**	22,839
Investments held for trading	*26*	**53,741**	21,659
Tax recoverable		**44**	–
Deposits placed with security brokers	*27*	**9,014**	17,323
Bank balances and cash	*28*	**314,504**	22,017
		379,057	88,494
Assets classified as held for sales	*29*	**–**	4,641
		379,057	93,135
Current liabilities			
Trade and other payables	*30*	**14,014**	17,598
Deposit received for disposal of subsidiaries	*14*	**–**	15,000
Taxation payable		**5,600**	5,668
Margin loan payables	*27*	**161**	–
		19,775	38,266
Net current assets		**359,282**	54,869
		369,355	364,418
Capital and reserves			
Share capital	*31*	**105,490**	527,449
Reserves		**263,865**	(163,031)
		369,355	364,418

The consolidated financial statements on pages 32 to 89 were approved and authorised for issue by the Board of Directors on 26 March 2010 and are signed on its behalf by:

Ma Jun Li
Director

Zhang Da Qing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(Note)*	Translation reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Attributable to owners of the Company *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2008	310,299	163,619	1,996	957	41,749	(488,807)	29,813	(44,136)	(14,323)
Total comprehensive income for the year	–	–	–	9,626	–	12,967	22,593	–	22,593
Issue of shares *(Note 31)*	217,150	117,255	–	–	–	–	334,405	–	334,405
Share issue expenses	–	(12,385)	–	–	–	–	(12,385)	–	(12,385)
Deconsolidation of subsidiaries *(Note 14)*	–	–	–	(10,008)	–	–	(10,008)	44,136	34,128
At 31 December 2008 and 1 January 2009	527,449	268,489	1,996	575	41,749	(475,840)	364,418	–	364,418
Total comprehensive income for the year	–	–	–	(492)	–	6,362	5,870	–	5,870
Capital reduction *(Note 31)*	(421,959)	–	–	–	–	421,959	–	–	–
Disposal of subsidiaries *(Note 33)*	–	–	–	(933)	–	–	(933)	–	(933)
At 31 December 2009	105,490	268,489	1,996	(850)	41,749	(47,519)	369,355	–	369,355

Note: The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited in 1996 and the nominal value of the Company's shares issued in exchange.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**6,319**	13,092
Adjustments for:		
Depreciation of property, plant and equipment	**650**	7,669
Dividend income from investments held for trading	**(645)**	(1,724)
Realised (gain) loss on investments held for trading	**(19,199)**	85,543
Fair value loss (gain) on investments held for trading	**582**	(13,419)
Finance costs	**93**	30,963
Gain on disposal of property, plant and equipment	**–**	(43)
Written off of property, plant and equipment	**438**	–
Impairment loss on property, plant and equipment	**–**	28,162
Impairment loss on trade receivables	**–**	9,292
Impairment loss on available-for-sale investments	**–**	1,350
Recovery of bad debts	**(163)**	(1,101)
Decrease in fair value change on investment properties	**143**	368
Allowance on inventories	**–**	46,838
Interest income	**(11)**	(498)
Amortisation of prepaid lease payments	**–**	179
Gain on deconsolidation of subsidiaries	**–**	(244,809)
Gain on disposal of subsidiaries	**(17,130)**	–
Loss on disposal of an associate	**114**	–
Share of results of an associate	**–**	(278)
Operating cash flows before movements in working capital	**(28,809)**	(38,416)
Increase in inventories	**–**	(95,769)
Decrease in trade and other receivables	**2,613**	21,071
(Increase) decrease in investments held for trading	**(13,465)**	86,973
Decrease (increase) in deposits placed with security brokers	**8,309**	(16,744)
Decrease in trade and other payables	**2,242**	26,093
Cash used in operations	**(29,110)**	(16,792)
Overseas tax paid	**(69)**	(56)
NET CASH USED IN OPERATING ACTIVITIES	**(29,179)**	(16,848)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
INVESTING ACTIVITIES		
Refund of deposit paid for acquisition of subsidiaries	**305,000**	–
Deposit paid for acquisition of subsidiaries	**(17,291)**	(287,709)
Repayment of short-term loan receivables	**22,839**	18,562
Disposal of subsidiaries *(Note 33)*	**7,540**	–
Disposal of an associate *(Note 29)*	**4,527**	–
Dividend income from listed securities	**645**	1,724
Interest received	**11**	498
Purchase of property, plant and equipment	**(1,241)**	(53,824)
Advance of short-term loan receivables	**–**	(23,189)
Cash outflow from deconsolidation of subsidiaries *(Note 14)*	**–**	(21,895)
Purchase of an investment property	**–**	(7,426)
Decrease in pledged bank deposits	**–**	20,519
Deposit received from the disposal of subsidiaries	**–**	15,000
Proceeds from disposal of property, plant and equipment	**–**	1,352
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**322,030**	(336,388)
FINANCING ACTIVITIES		
Increase (decrease) in margin loan payables	**161**	(75,726)
Interest paid	**(93)**	(30,963)
Other borrowings raised	**–**	335,932
Proceeds from issue of shares, net of expenses	**–**	322,020
Repayment of other borrowings	**–**	(199,286)
NET CASH FROM FINANCING ACTIVITIES	**68**	351,977
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**292,919**	(1,259)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**22,017**	20,579
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(432)**	2,697
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**314,504**	22,017

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries (together with the Company referred to as the "Group") are set out in Note 41.

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

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

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations (herein collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective for the Group's financial year beginning 1 January 2009.

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

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

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and changes in format and content of the financial statements. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 4). The adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised Standards, Amendments or INTs that have been issued but are not yet effective for the accounting period beginning on 1 January 2009.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition 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 on consolidation.

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Non-current assets held for sale

Non-current assets 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 non-current asset is available for immediate sale in its present condition.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

Income from provision of freight forwarding agency services is recognised when the services are rendered.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Land use rights

Land use rights are stated as cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over their respective estimate useful lives.

Club debentures

Club debentures are stated at cost less accumulated impairment losses, if any.

Leasing

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

The Group as lessee

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 in profit or loss in the period in which they are incurred.

Retirement benefit schemes

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme ("MPF Scheme"), Central Provident Fund Scheme ("CPF Scheme") and state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Government grants

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or direct in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are 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 and 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 to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

The Group's financial assets at FVTPL comprise financial assets as held for trading.

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

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

Impairment loss on financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets (Continued)

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities, including trade and other payables and margin loan payables are subsequently measured at amortised cost, using the effective interest rate 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 assets *(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 fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to the initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of the Group's property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows are different from the original estimates, a material change in the amount of impairment may arise.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of trade and other receivables

The policy for impairment loss for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement 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 were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Estimated fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 December 2009 at their fair value of HK$1,860,000 (2008: HK$8,820,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

5. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

	2009	2008
	HK$'000	*HK$'000*
Financial assets		
FVTPL (Investments held for trading)	**53,741**	21,659
Loans and receivables (including bank balances and cash)	**324,003**	63,402
Available-for-sale financial assets	**7,500**	7,500
Financial liabilities		
At amortised cost	**14,175**	17,598

b. Financial risk management objectives and polices

The Group's major financial instruments include equity investments, trade and other receivables, deposits placed with security brokers, bank balances and cash, trade and other payables and margin loan payables. Details of the 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.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, deposits placed with security brokers and margin loan payables (see Notes 27 and 28 for details) due to the fluctuation of the prevailing market interest rate. It is the Group's policy to keep its bank balances, deposits placed with security brokers and margin loan payables at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For the variable-rate bank balances, deposits placed with security brokers and margin loan payables, the analysis is prepared assuming the amounts outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease approximately by HK$1,345,000 (2008: HK$311,000). This is mainly attributable to the Group's exposure to its variable-rate bank balances, deposits placed with security brokers and margin loan payables.

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Market risk *(Continued)*

(ii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. As the financial market has been more stable as compared to last year, the management adjusted the sensitivity rate from 30% to 10% in the current year for the purpose of analysing other price risk.

If the prices of the respective equity instruments had been 10% (2008: 30%) higher/lower, the profit for the year ended 31 December 2009 increase/decrease by approximately HK$4,487,000 (2008: HK$5,426,000) as a result of the changes in fair value of investments held for trading.

In management's opinion, the sensitivity analysis is not representative of the other price risk for the investments in listed equity securities as the year end exposure does not reflects the exposure during the year.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to a failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

– the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 36.

In order to minimise the credit risk, the management of the Group had delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. The management considers the Group is not exposed to significant foreign currency risk as majority of its operations and transactions are in Hong Kong and the PRC which are primarily transacted using the functional currencies of the respective entities within the Group.

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

Expressed in HK$	**2009** ***HK$'000***	2008 *HK$'000*
Denominated in United States dollars ("USD")		
Trade and other receivables	**20**	4
Bank balances and cash	**405**	394
Trade and other payables	**(40)**	(31)
	385	367
Denominated in Australian dollars ("AUD")		
Trade and other payables	**(7)**	(13)

Sensitivity analysis

No sensitivity analysis was prepared for USD because HK$ is pegged to USD. The fluctuation and impact is considered immaterial.

No sensitivity analysis was prepared for AUD because the Group's exposure to AUD is minimal.

5. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and polices *(Continued)*

Liquidity risk

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

The maturity dates of all financial liabilities are repayable on demand or within one year as at the end of each of the reporting period.

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

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

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specific counterparty extrapolated from market-based credit information and the amount of loss, given the default. The directors consider that the fair value of the financial guarantee contracts is insignificant.

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

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS *(Continued)*

d. Fair value of financial instruments

For the year ended 31 December 2009

	Level 1	**Level 2**	**Level 3**	**Total**
FVTPL				
Non-derivative financial assets held for trading	53,741	–	–	53,741

For the year ended 31 December 2008

	Level 1	Level 2	Level 3	Total
FVTPL				
Non-derivative financial assets held for trading	21,659	–	–	21,659

There were no transfers between Level 1 and 2 in current year.

Of the total gains for the year ended 31 December 2009 included in profit or loss, HK$18,617,000 (2008: loss of approximately HK$72,124,000) relates to non-derivative financial assets held for trading at the end of the reporting period.

6. CAPITAL RISK MANAGEMENT

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

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

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debt.

7. TURNOVER

Turnover represents the amounts received and receivable from the provision of international air and sea freight forwarding services, sales of coke net of discounts and sales related taxes, gross proceeds from disposal of investments held for trading and dividend income, during the year.

	2009	2008
	HK$'000	*HK$'000*
Provision of international air and sea freight forwarding services	**6,016**	14,938
Sales of coke	–	433,352
Consultancy service income	–	630
Gross proceeds from disposal of investments held for trading	**239,117**	181,775
Dividend income from investments held for trading	**645**	1,724
	245,778	632,419

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "*Segment Reporting*") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has not resulted in the redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's reportable operating segments as follows:

a) **International air and sea freight forwarding**

Engaged in the provision of international air and sea freight forwarding and logistic services to customers

b) **Securities trading**

Engaged in trading of equity securities

c) **Manufacture and sales of coke**

Engaged in manufacture and sales of coke products to customers

8. SEGMENT INFORMATION *(Continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration cots, directors' salaries, other income, gain on disposal of subsidiaries, loss on disposal of an associate, gain on deconsolidation of subsidiaries, share of results of an associate, finance costs and income tax. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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

– all assets are allocated to reportable segments other than assets classified as held for sale, deposit paid for acquisition of subsidiaries and other corporate assets.

– all liabilities are allocated to reporting segments other than deposit received from disposal of subsidiaries and other corporate liabilities.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

	International air and sea freight forwarding *HK$'000*	Securities trading *HK$'000*	Manufacture and sales of coke *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2009					
Turnover	6,016	239,762	–	–	245,778
Revenue					
External	6,016	645	–	–	6,661
Segment results	(1,042)	19,262	–	–	18,220
Unallocated corporate expenses					(29,104)
Other income					323
Gain on disposal of subsidiaries					17,130
Loss on disposal of an associate					(114)
Finance costs					(93)
Profit before taxation					6,362

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	International air and sea freight forwarding *HK$'000*	Securities trading *HK$'000*	Manufacture and sales of coke *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2008					
Turnover	14,938	183,499	433,352	630	632,419
Revenue					
External	14,938	1,724	433,352	630	450,644
Segment results	39	(70,400)	(90,120)	(1,243)	(161,724)
Unallocated corporate expenses					(42,777)
Other income					3,344
Gain on deconsolidation of subsidiaries					244,809
Finance costs					(30,963)
Share of results of an associate					278
Profit before taxation					12,967

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

	International air and sea freight forwarding ***HK$'000***	**Securities trading** ***HK$'000***	**Manufacture and sales of coke** ***HK$'000***	**Others** ***HK$'000***	**Consolidated** ***HK$'000***
At 31 December 2009					
ASSETS					
Segment assets	**4,081**	**143,066**	**–**	**–**	**147,147**
Unallocated corporate assets					**241,983**
Total assets					**389,130**
LIABILITIES					
Segment liabilities	**1,553**	**5,814**	**–**	**–**	**7,367**
Unallocated corporate liabilities					**12,408**
Total liabilities					**19,775**

8. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

	International air and sea freight forwarding	Securities trading	Manufacture and sales of coke	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008					
ASSETS					
Segment assets	5,422	48,936	–	454	54,812
Interests in an associate					4,641
Deposit paid for acquisition of subsidiaries					287,709
Unallocated corporate assets					55,522
Total assets					402,684
LIABILITIES					
Segment liabilities	1,989	5,601	–	–	7,590
Deposit received from disposal of subsidiaries					15,000
Unallocated corporate liabilities					15,676
Total liabilities					38,266

8. SEGMENT INFORMATION *(Continued)*

Other segment information

	International air and sea freight forwarding *HK$'000*	Securities trading *HK$'000*	Manufacture and sales of coke *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Year ended 31 December 2009					
Additions to non-current assets	–	–	–	1,151	1,151
Unallocated amount					90
					1,241
Depreciation of property, plant and equipment	15	–	–	471	486
Unallocated amount					164
					650
Written off of property, plant and equipment	–	–	–	408	408
Unallocated amount					30
					438
Recovery of bad debts	(163)	–	–	–	(163)
Realised gain on investment held for trading	–	(19,199)	–	–	(19,199)
Fair value loss on investments held for trading	–	582	–	–	582

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	International air and sea freight forwarding HK$'000	Securities trading HK$'000	Manufacture and sales of coke HK$'000	Others HK$'000	Consolidated HK$'000
Year ended 31 December 2008					
Additions to non-current assets	1	–	53,573	243	53,817
Unallocated amount					7
					53,824
Depreciation of property, plant and equipment	25	–	7,023	609	7,657
Unallocated amount					12
					7,669
Amortisation of prepaid lease payments	–	–	179	–	179
Gain on disposal of property, plant and equipment	–	–	(43)	–	(43)
Recovery of bad debts	–	–	(1,101)	–	(1,101)
Impairment loss on trade receivables	–	–	9,292	–	9,292
Allowance on inventories	–	–	46,838	–	46,838
Impairment loss on property, plant and equipment	–	–	28,162	–	28,162
Realised loss on investments held for trading	–	85,543	–	–	85,543
Fair value gain on investments held for trading	–	(13,419)	–	–	(13,419)

Geographical information

International air and sea freight forwarding services are carried out in Singapore, North and South America. Trading of securities are carried out in Hong Kong. The manufacture and sales of coke is carried out in the People's Republic of China (the "PRC").

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and investment properties ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North and South America	**1,464**	6,208	**–**	–
PRC and HK	**645**	435,706	**2,566**	10,715
Singapore	**4,552**	8,730	**7**	2,383
	6,661	450,644	**2,573**	13,098

8. SEGMENT INFORMATION *(Continued)*

Information about major customers

During the year ended 31 December 2008, revenue from customers contributing over 10% of the total revenue of the Group was all from sales of coke:

	2008
	HK$'000
Customer A	76,035
Customer B	56,731
Customer C	50,116
Customer D	46,178
	229,060

During the year ended 31 December 2009, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

9. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income	**11**	498
Gain on disposal of property, plant and equipment	**–**	43
Recovery of bad debts	**163**	1,101
Government grants *(Note)*	**59**	591
Sundry income	**90**	1,111
	323	3,344

Note: During the year ended 31 December 2009, a government grant of approximately HK$59,000 was granted to the Group in relation to job credit scheme in Singapore. The government grant was provided to the Group on the condition that they have made CPF contributions in Singapore during the year.

During the year ended 31 December 2008, a government grant of HK$5,906,000 was granted to the Shanxi Changxing Yuci Coking Co., Limited ("Shanxi Changxing"), the disposed subsidiary of the Group, in relation to the sewage facilities. The government grants of HK$591,000 represented the amount released to the consolidated statement of comprehensive income over the useful lives of these sewage facilities using straight line basis.

10. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on other borrowings wholly repayable within five years:		
Other borrowings	**–**	30,400
Margin loan payables	**93**	563
	93	30,963

11. PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Staff costs		
– directors' emoluments *(Note 12(a))*	**2,361**	2,376
– other staff costs	**5,980**	7,472
– retirement benefits scheme contributions, excluding directors	**252**	179
Total staff costs	**8,593**	10,027
Depreciation of property, plant and equipment	**650**	7,669
Amortisation of prepaid lease payments	**–**	179
Auditor's remuneration	**680**	1,197
Impairment loss on trade receivables (included in administrative expenses)	**–**	9,292
Impairment loss on available-for-sale investments (included in administrative expense)	**–**	1,350
Allowance on inventories (included in cost of sales)	**–**	46,838
Cost of inventories recognised as an expense	**–**	458,732
Exchange loss	**59**	–

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

		Other emoluments		
	Fees *HK$'000*	**Salaries and other benefits** *HK$'000*	**Retirement benefits scheme contributions** *HK$'000*	**Total emoluments** *HK$'000*
Year ended 31 December 2009				
Executive directors				
Ms. Ma Jun Li	–	284	–	284
Mr. Ng Tang, David	–	585	27	612
Mr. Ren Zheng	–	469	12	481
Ms. Cheung Hoi Ping	–	–	–	–
Mr. Zhang Jun[1]	–	–	–	–
Mr. Zhang Da Qing	–	656	12	668
	–	1,994	51	2,045
Non-executive director				
Ms. Yao Haixing[2]	53	–	–	53
Independent non-executive directors				
Ms. Chung Kwo Ling	90	–	–	90
Mr. Sun Yeung Yeung[3]	38	–	–	38
Ms. Xing Hua[4]	45	–	–	45
Mr. Chan Ngai Sang Kenny	90	–	–	90
	263	–	–	263
Total	316	1,994	51	2,361

1 resigned on 20 January 2009

2 appointed on 2 June 2009

3 resigned on 11 May 2009

4 appointed on 20 July 2009

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008				
Executive directors				
Ms. Ma Jun Li	–	270	–	270
Mr. Ng Tang, David	–	585	27	612
Mr. Ren Zheng	–	393	12	405
Ms. Cheung Hoi Ping	–	–	–	–
Mr. Zhang Jun[1]	–	120	–	120
Mr. Zhang Da Qing	–	655	12	667
	–	2,023	51	2,074
Independent non-executive directors				
Ms. Chung Kwo Ling	90	–	–	90
Mr. Sun Yeung Yeung	90	–	–	90
Mr. Lee Yuen Kwong[2]	90	–	–	90
Mr. Chan Ngai Sang Kenny[3]	32	–	–	32
	302	–	–	302
Total	302	2,023	51	2,376

1 resigned on 20 January 2009

2 resigned on 21 August 2008

3 appointed on 21 August 2008

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2008: three) were directors of the Company whose emoluments are set out in (a) above. The aggregate emoluments of the remaining two (2008: two) individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**1,339**	1,339
Retirement benefits scheme contributions	**62**	62
	1,401	1,401

The emoluments of each of the employees are less than HK$1,000,000 for both years.

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

13. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
Charge for the year	**–**	125
Tax in other jurisdictions		
Overprovision in prior years	**(43)**	–
	(43)	125

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2009 and 2008.

13. TAXATION *(Continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

In additions, according to the EIT Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividends relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. Such deferred tax has not been provided as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**6,319**	13,092
Tax charge at the income tax rate of 16.5% (2008: 25%)	**1,043**	3,273
Tax effect of share of results of an associate	**–**	(69)
Tax effect of expenses that are not deductible in determining taxable profit	**4,687**	23,440
Tax effect of income that is not taxable in determining taxable profit	**(4,843)**	(61,287)
Tax effect of utilisation of tax loss not previously recognised	**(1,736)**	-
Tax effect of tax losses not recognised	**1,723**	26,150
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(874)**	8,618
Overprovision in prior years	**(43)**	–
Taxation (credit) charge for the year	**(43)**	125

The income tax rate was changed from 25% to 16.5% in 2009 as majority of the operation occurred in Hong Kong during the year ended 31 December 2009.

13. TAXATION *(Continued)*

The major deferred tax liabilities (assets) recognised and movements thereof during the current year and prior year are summarised below:

	Accelerated tax depreciation *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2008	170	(170)	–
Charge (credit) to consolidated statement of comprehensive income for the year	(83)	83	–
Effect of change in tax rate	(5)	5	–
Balance at 31 December 2008 and 1 January 2009	82	(82)	–
Charge (credit) to consolidated statement of comprehensive income for the year	(19)	19	–
Balance at 31 December 2009	63	(63)	–

At 31 December 2009, the Group has estimated unutilised tax losses of HK$125,560,000 (2008: HK$148,611,000) available for offset against future profits. A deferred tax asset has been recognised in respect of estimated unutilised tax losses of HK$382,000 (2008: HK$496,000). No deferred tax asset has been recognised of the remaining tax losses due to the unpredictability of future profit streams. The estimated unutilised tax losses of HK$125,527,000 (2008: HK$125,637,000) will not expire under the current tax legislation in Hong Kong. The estimated tax losses attributable to subsidiary in Singapore amounted to HK$33,000 (2008: nil). The use of such estimated unutilised tax losses is subject to the agreement of the tax authority and compliance with certain provision of the tax legislation in Singapore. All other tax losses as at 31 December 2008 will expire from 2008 to 2010.

14. DECONSOLIDATION OF SUBSIDIARIES

On 27 November 2008, the Company entered into an agreement to dispose of the entire equity interests in Funeway Investments Limited ("Funeway") at a consideration of HK$15 million to independent third parties. Pursuant to the agreement, all directors of Funeway who were appointed by the Company are required to resign as directors of Funeway. On 31 December 2008, all such directors resigned as directors of Funeway accordingly. The directors of the Company consider that the Group's control over Funeway and its subsidiary, Shanxi Changxing ("Funeway Group") was lost on 31 December 2008 and the Funeway Group ceased to be the Group's subsidiaries. The results of Funeway Group were included in the consolidated statement of comprehensive income up to 31 December 2008 and the consolidated financial statements of Funeway Group were deconsolidated from the Group from 31 December 2008.

The disposal transaction was approval by the shareholders in the special general meeting held on 15 July 2009.

14. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

The net liabilities of Funeway Group at the date of deconsolidation were as follows:

	31/12/2008
	HK$'000
Property, plant and equipment	140,111
Prepaid lease payments	4,226
Inventories	71,356
Trade and other receivables	1,719
Bank balances and cash	21,895
Trade and other payables	(260,702)
Short term other borrowings	(238,211)
Long term other borrowings	(39,347)
Minority interests	44,136
	(254,817)
Translation reserve realised on deconsolidation of subsidiaries	10,008
Gain on deconsolidation	(244,809)
Cash outflow arising from deconsolidation of subsidiaries	(21,895)

The cash flow of Funeway Group for the period from 1 January 2008 to 31 December 2008, which has been included in the Group's consolidated statement of cash flows, was as follows:

Cash flows from deconsolidation of subsidiaries:	**2008**
	HK$'000
Net cash flows used in operating activities	(55,603)
Net cash flows used in investing activities	(53,384)
Net cash flows from financing activities	104,539
Net cash outflows	(4,448)

15. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

16. EARNINGS PER SHARE

The calculation of the basic earning per share is based on the profit for the year attributable to owners of the Company of approximately HK$6,362,000 (2008: HK$12,967,000) and on the weighted average number of 2,109,795,845 (2008 as restated: 1,694,375,113 due to a share consolidation of every 5 shares of the Company into one share which was completed on 6 October 2009) ordinary shares in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for shares for the year ended 31 December 2009 and 2008.

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17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant and machinery	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 January 2008	41,384	74,474	96,367	285	585	1,558	12,072	226,725
Exchange realignment	3,059	8,733	4,374	84	13	18	24	16,305
Additions	49,052	–	19	–	–	226	4,527	53,824
Disposals/written off	–	(334)	–	–	–	(10)	(1,551)	(1,895)
Deconsolidation of subsidiaries	(93,495)	(82,873)	(100,760)	–	–	(403)	(9,487)	(287,018)
At 31 December 2008 and 1 January 2009	–	–	–	369	598	1,389	5,585	7,941
Exchange realignment	–	–	–	–	–	(11)	(163)	(174)
Additions	–	–	–	940	–	301	–	1,241
Written off	–	–	–	(368)	(443)	(588)	–	(1,399)
Disposal of subsidiaries	–	–	–	(941)	–	(211)	(4,114)	(5,266)
At 31 December 2009	–	–	–	–	155	880	1,308	2,343
DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 January 2008	7,004	5,072	91,416	237	521	1,011	3,138	108,399
Exchange realignment	642	4,322	1,731	4	12	10	205	6,926
Provided for the year	–	2,597	3,235	77	10	162	1,588	7,669
Impairment loss recognised for the year	22,826	958	4,378	–	–	–	–	28,162
Eliminated on disposals/written off	–	(67)	–	–	–	(6)	(513)	(586)
Eliminated on disposal of subsidiaries	(30,472)	(12,882)	(100,760)	–	–	(347)	(2,446)	(146,907)
At 31 December 2008 and 1 January 2009	–	–	–	318	543	830	1,972	3,663
Exchange realignment	–	–	–	–	–	(10)	(156)	(166)
Provided for the year	–	–	–	65	8	144	433	650
Eliminated on written off	–	–	–	(317)	(443)	(201)	–	(961)
Elimination on disposal of subsidiaries	–	–	–	(66)	–	(13)	(1,477)	(1,556)
At 31 December 2009	–	–	–	–	108	750	772	1,630
CARRYING VALUES								
At 31 December 2009	–	–	–	–	47	130	536	713
At 31 December 2008	–	–	–	51	55	559	3,613	4,278

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Buildings	Over the shorter of the term of the lease or 20 – 30 years
Plant and machinery	5% – 10%
Leasehold improvements	15% or over the term of the lease, whichever is shorter
Furniture and fixtures	10% – 33.33%
Office equipment	10% – 20%
Motor vehicles	16.67% – 33.33%

The directors, after considering the economic conditions, market situations and the liquidity position of Shanxi Changxing, reviewed the carrying value of Shanxi Changxing's production facilities, including construction in progress, buildings and plant and equipment, in the PRC, with reference to their fair values less costs to sell based on independent professional valuation and determined that the recoverable amounts of the assets had declined below their carrying values. Accordingly, the carrying value of construction in progress, buildings and plant and equipment related to the production facilities was reduced by approximately HK$28,162,000, in aggregate, to reflect the impairment for the year ended 31 December 2008.

18. PREPAID LEASE PAYMENTS

	2009 ***HK$'000***	2008 *HK$'000*
Prepaid lease payments comprising land in the PRC under medium-term land use rights at the beginning of:	–	4,048
Exchange realignment	–	357
Amortisation of prepaid lease payments	–	(179)
Deconsolidation of subsidiaries	–	(4,226)
	–	–
Analysed for reporting purposes as:		
Non-current assets	–	–
Current assets	–	–
	–	–

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2008	1,700
Additions	7,426
Decrease in fair value	(368)
Exchange realignment	62
At 31 December 2008 and 1 January 2009	8,820
Disposal of subsidiaries	(6,801)
Decrease in fair value	(143)
Exchange realignment	(16)
At 31 December 2009	1,860

The fair value of the Group's investment properties at 31 December 2009 had been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, a firm of independent qualified professional valuers. Knight Frank Petty Limited is a member of the Hong Kong Institute of Surveyors ("HKIS"). The valuation was arrived at using the direct comparison method, by reference to market evidence of transaction prices for similar properties.

The Group's properties interest held for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises

	2009 ***HK$'000***	2008 *HK$'000*
Land in Hong Kong		
Medium-term lease	**1,860**	1,550
Land outside Hong Kong		
Medium-term lease	–	7,270
	1,860	8,820

20. INTERESTS IN AN ASSOCIATE

	NOTE	**2009 HK$'000**	2008 HK$'000
Cost of investment		–	3,678
Share of post-acquisition profits		–	963
		–	4,641
Transfer to asset classified as held for sales	*29*	–	(4,641)
		–	–

Particulars of the associate at 31 December 2008 are as follows:

Name of associate	**Form of business structure**	**Place of registration and operation**	**Proportion of nominal value of registered capital held directly by the Group**	**Principal activities**
Shanghai International Airlines Services Co. Ltd. ("Shanghai Airlines")	Sino-foreign equity joint ventures	PRC	40%	Provision of air freight forwarding business

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

	2009 ***HK$'000***	2008 *HK$'000*
Total assets	–	24,462
Total liabilities	–	(12,859)
Net assets	–	11,603
Group's share of net assets of associate	–	4,641

20. INTERESTS IN AN ASSOCIATE *(Continued)*

	2009	2008
	HK$'000	*HK$'000*
Result for the period *(Note)*		
Revenue	–	13,722
Profit for the period	–	695
Group's share of profit of an associate for the period	–	278

Note: It represented the results of Shanghai Airlines up to the date it is transferred to asset held for sales.

During the year ended 31 December 2008, the Group accounted for Shanghai Airlines using equity method up to the date on which it is transferred to asset held for sales in accordance with HKFRS 5 (Note 29). The carrying amount of the Group's interests in the associate as at that date is included in "Assets classified as held for sale" on the face of the consolidated statement of financial position at 31 December 2008.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Unlisted equity securities	**38,250**	38,250
Less: impairment losses recognised	**(30,750)**	(30,750)
	7,500	7,500

In 2002, the Group, through an acquisition of a wholly-owned subsidiary, acquired 30,000,000 promoters' shares in Beijing Beida Jade Bird Universal Sci-Technology Company ("BBJB") (the "Promoters' Shares") of RMB0.01 each at a consideration of HK$38,250,000, which is equivalent to 2.53% of total issued share capital (including H shares and Promoters' Shares) of BBJB.

BBJB is a joint stock company with limited liability incorporated in the PRC with its H shares listed on the Growth Enterprise Market of the Stock Exchange (the "GEM Board"). The Promoters' Shares were unlisted share capital issued by BBJB when it was initially listed on the GEM Board in 2000. According to the Company Law in the PRC, the Promoters' Shares were not transferable within three years from the date of incorporation of BBJB on 29 March 2000. Upon expiry of the three years lock up period on 28 March 2003, those Promoters' Shares could be applied for listing on the GEM Board. The Group has been informed by BBJB that BBJB is in the process of applying for listing of the Promoters' Shares on the GEM Board and the application is still under progress. In the opinion of the directors, this investment will be able to enhance the strategic relationship between the Group and BBJB.

An impairment loss of approximately HK$30,750,000 was recognised in the consolidated statement of comprehensive income in prior years as a result of its decrease in the recoverable amounts.

22. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

By an agreement dated 27 November 2008, the Company, through one of its subsidiaries Clearmind Investments Limited ("Clearmind") entered into a contract with Asset Rich International Limited ("Asset Rich"), a British Virgin Islands company, for the acquisition of 60% of Asset Rich's interest in ChongHou Energy Resources Limited ("ChongHou"). ChongHou was an investment holding company with its sole asset being its investment in subsidiaries which were companies in the PRC principally engaged in the coal mining and coke processing. Cash deposits of HK$287,709,000 and 17,291,000 (the "Deposit") were paid by Clearmind for the intended acquisition during the year ended 31 December 2008 and 2009 respectively. As announced by the Company by its announcement dated 11 August 2009, the agreement with Asset Rich was cancelled and a cancellation agreement of the same date was entered into with Asset Rich for, among other things, the return of the Deposit within 30 days. In the event, the Deposit was fully repaid by Asset Rich on 29 September 2009.

23. CLUB DEBENTURES

	2009 ***HK$'000***	2008 *HK$'000*
Club debentures, at cost	**–**	1,242

At 31 December 2008, the above club debentures represented club memberships in the PRC golf clubs. The club debentures were measured at cost less impairment at 31 December 2008 because the range of reasonable fair value estimates were significant. The directors were of the opinion that its fair values could not be measured reliably.

The club debentures were disposed through the disposal of subsidiaries as detailed in Note 33.

24. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days. Included in trade and other receivables (net of allowance for doubtful debts) are trade receivables with the following aged analysis:

	2009 ***HK$'000***	2008 *HK$'000*
0 – 30 days	**432**	769
31 – 60 days	**336**	315
61 – 90 days	**36**	139
Trade receivables	**804**	1,223
Deposits and prepayments	**950**	3,433
	1,754	4,656

24. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in deposit and prepayments as at 31 December 2008 were amount due from a substantial shareholder with aggregate carrying amount of approximately HK$68,000. The amount was unsecured, interest-free and repaid during the year ended 31 December 2009.

Before accepting any new customer, the Group uses a system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a regular basis.

As at 31 December 2009, all trade receivables were aged within 90 days and there was no allowance for doubtful debts during the year.

As at 31 December 2008, the Group provided fully for all receivables over 90 days because historical experience was such that receivables that were past due beyond 90 days were generally not recoverable.

Trade receivables as at 31 December 2008 and 2009 that are neither past due nor impaired have the best credit under the credit system used by the Group. The Group did not hold any collateral over these balances.

Movement in allowance for doubtful debts

	2009 ***HK$'000***	2008 *HK$'000*
Balance at beginning of the year	**1,622**	4,605
Impairment loss recognised	–	9,292
Recovery of bad debts	**(163)**	(1,101)
Deconsolidation of subsidiaries	–	(11,174)
Balance at end of the year	**1,459**	1,622

25. SHORT-TERM LOAN RECEIVABLES

The amounts were unsecured, repayable within one year and carried variable-rate interest at Hong Kong Prime Rate plus spread ranging from 4% to 5% per annum for amounts of HK$22,839,000 as at 31 December 2008. The terms of the receivables ranged from three to twelve months.

Before making any advances, the Group will understand the potential debtor's credit quality and defines its credit limits. Loan receivables are advanced to debtors with an appropriate credit history. Credit limits attributed to debtors are reviewed regularly.

Included in the loan receivables balances was an aggregate amount of HK$22,839,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss. In addition, the Group did not hold any collateral over these balances.

25. SHORT-TERM LOAN RECEIVABLES *(Continued)*

Age of loan receivables which are past due but not impaired

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	–	596
90 to 180 days	–	14,129
Over 180 days	–	8,114
	–	22,839

The Group has not provided for these receivables as there has not been significant change in credit quality of those debtors and the amounts are fully settled during the year ended 31 December 2009.

26. INVESTMENTS HELD FOR TRADING

	2009	2008
	HK$'000	*HK$'000*
Investments held for trading:		
Listed equity securities in Hong Kong	**53,741**	21,659
Market value of listed equity securities	**53,741**	21,659

27. DEPOSITS PLACED WITH SECURITIES BROKERS/MARGIN LOAN PAYABLES

The deposits placed with securities brokers carry interest ranging from 0.001% to 0.1% (2008: 3%) per annum and are repayable on demand.

The margin loan payables carry interest rate at prevailing market rates with an effective interest rate ranging from 5% to 11% (2008: nil) per annum and are repayable on demand.

28. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.01% to 0.05% (2008: 0.01% to 0.08%) per annum and have original maturity of three months or less.

29. ASSETS CLASSIFIED AS HELD FOR SALES

On 31 October 2008, the Group entered into a sale and purchase agreement (the "Sale") with an independent third party to dispose of its 40% equity interests in Shanghai Airlines. In accordance with the agreement, the application has been approved by Shanghai Municipal Commission of Commerce on 16 January 2009.

In the opinion of the directors, the Sale was highly probable and the Group's interests in Shanghai Airlines was reclassified and presented in the consolidated statement of financial position as "assets classified as held for sales" as at 31 December 2008 accordingly.

The Sale was completed at January 2009. A proceed of RMB4,000,000 (equivalent to HK$4,527,000) was received and a loss on disposal of an associate of approximately HK$114,000 was recognised in the consolidated statement of comprehensive income during the year.

30. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables with the following aged analysis:

	2009 ***HK$'000***	2008 *HK$'000*
0 – 30 days	**98**	471
31 – 60 days	**15**	9
61 – 90 days	**6**	5
Over 90 days	**1,864**	1,854
Trade and bills payables	**1,983**	2,339
Accrued charges and other payables	**12,031**	15,259
	14,014	17,598

31. SHARE CAPITAL

	Nominal value per share *HK$*	Number of shares *'000*	Value *HK$'000*
Authorised:			
At 1 January 2008	0.05	12,000,000	600,000
Additions *(note a)*		38,000,000	1,900,000
At 31 December 2008 and 1 January 2009	0.05	50,000,000	2,500,000
Share sub-division *(note d)*		200,000,000	–
Share consolidation *(note e)*		(200,000,000)	–
At 31 December 2009	0.05	50,000,000	2,500,000
Issued and fully paid:			
At 1 January 2008	0.05	6,205,986	310,299
Issue of shares – Open offer *(note b)*		3,102,993	155,150
Issue of shares – Top up placing *(note c)*		1,240,000	62,000
At 31 December 2008 and 1 January 2009	0.05	10,548,979	527,449
Capital reduction *(note d)*		–	(421,959)
Share consolidation *(note e)*		(8,439,183)	–
At 31 December 2009	0.05	2,109,796	105,490

Notes:

(a) Pursuant to an ordinary resolution passed by the Company's shareholders at a special general meeting held on 17 September 2008, the Company increased its authorised share capital from HK$600,000,000 to HK$2,500,000,000 by creation of an additional 38,000,000,000 new shares of HK$0.05 each in order to provide more flexibility and to accommodate further expansion and growth of the Company.

(b) On 30 May 2008, the Company raised approximately HK$232,725,000, before expenses, by issuing 3,102,993,076 offer shares at a price of HK$0.075 per offer share by way of open offer on the basis of one offer share for every two existing shares held and payable in full upon acceptance ("Open Offer"). The share capital of the Company increased by approximately HK$155,150,000 as a result. Further details of the above transaction are set out in the announcement of the Company dated 30 May 2008.

(c) On 30 June 2008, the Company entered into an agreement to place 1,240,000,000 new shares, at a placing price of HK$0.082 per share. The placing has been completed on 11 July 2008 and the Company has raised approximately HK$101,680,000 and the share capital of the Company increased by approximately HK$62,000,000 as a result. Further details of the above transaction are set out in the announcement of the Company dated 2 July 2008.

31. SHARE CAPITAL *(Continued)*

(d) Pursuant to a special resolution passed at the special general meeting of the Company held on 17 June 2009, the Company carried out the following capital reorganisation ("Capital Reorganisation") with effect from 18 June 2009 as follows:

(i) the par value of issued capital of the Company was reduced by reducing the par value of each share of the Company in issue from HK$0.05 to HK$0.01 each by cancellation of HK$0.04 of the paid-up capital on each share in issue ("Capital Reduction"). Immediately following the Capital Reduction, each issued share with a par value of HK$0.05 in the share capital of the Company shall be treated as one fully paid-up share with a par value of HK$0.01 each in the share capital of the Company;

(ii) each of the authorised but unissued shares with a par value of HK$0.05 each in the share capital of the Company was sub-divided into 5 unissued shares with a par value of HK$0.01 each in the share capital of the Company; and

(iii) the credit amount arising in the books of the Company from the Capital Reduction of approximately HK$421,959,000 was applied setting off against part of the accumulated losses of the Company.

Details of the Capital Reorganisation are set out in a circular to the shareholders of the Company dated 26 May 2009.

(e) Pursuant to a special resolution passed at the special general meeting of the Company held on 6 October 2009, the Company carried out the share consolidation (the "Share Consolidation") on the basis that every 5 issued and unissued shares of HK$0.01 each in the share capital of the Company was consolidated into one consolidated share of HK$0.05 each.

The shares issued during the year rank pari passu with the then existing shares in issue in all respects.

32. SHARE OPTION SCHEME

The 2002 Scheme

On 18 March 2002, the Company adopted the 2002 Scheme (the "2002 Scheme") under which the board of directors may at its discretion offer to any director (including non-executive director), employee, suppliers, customers, any person or entity that provides research, development or other technological support to the Group, shareholders of any member of the Group or any entity in which the Group holds an equity interests and any other group or classes of persons or entities who have contributed to the development and growth of the Group ("Participant") to subscribe for shares in the Company in accordance with the terms of the 2002 Scheme. The principal purpose of the 2002 Scheme is to provide incentive or rewards for the participant's contributions to the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company in issue as at the date of adoption of the 2002 Scheme, unless a refresh approval from the shareholders of the Company has been obtained. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The subscription price of the option shares granted under the 2002 Scheme shall be a price to be determined by the directors of the Company being not less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The total number of shares issued and may be issued upon exercise of the options granted to any individual under the 2002 Scheme and any other share option schemes of the Company must not exceed 1% of the shares in issue.

The 2002 Scheme does not contain any requirement of a minimum period and the board of directors may in its absolute discretion impose a minimum period requirement for each option granted will be made by the board of directors on a case by case basis and will not be made to the advantage of the Participants.

The 2002 Scheme will remain in force for a period of ten years commencing from the date of adoption of the 2002 Scheme, after which no further options will be granted but the options which are granted during the life of the 2002 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2002 Scheme shall in all other respects remain in full force and effect in respect thereof.

Options granted under the 2002 Scheme must be taken up within 21 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

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32. SHARE OPTION SCHEME *(Continued)*

The 2002 Scheme *(Continued)*

For the year ended 31 December 2009

The following table discloses movements in the Company's share options granted under the 2002 Scheme during the year ended 31 December 2009:

	Date of grant	Exercisable period	Adjustment to exercise price *(Note)* Before HK$	After HK$	Number of share options: Outstanding at 1.1.2009	Granted during the year	Exercised/ (forfeited) during the year	Share consolidation quantity adjustment during the year	Outstanding at 31.12.2009
Employees	5.10.2004	5.10.2004 to 5.10.2014	0.0634	0.317	1,123,746	–	–	(898,997)	224,749
	26.9.2005	26.9.2005 to 25.9.2015	0.0739	0.3695	5,843,478	–	–	(4,674,782)	1,168,696
	20.8.2007	20.8.2007 to 20.8.2017	0.1255	0.6275	101,137,124	–	–	(80,909,699)	20,227,425
Sub-total					108,104,348	–	–	(86,483,478)	21,620,870
Other eligible persons	5.10.2004	5.10.2004 to 5.10.2014	0.0634	0.317	28,093,645	–	–	(22,474,916)	5,618,729
	26.9.2005	26.9.2005 to 25.9.2015	0.0739	0.3695	338,247,492	–	–	(270,597,994)	67,649,498
	20.8.2007	20.8.2007 to 20.8.2017	0.1255	0.6275	135,973,244	–	–	(108,778,596)	27,194,648
	7.9.2007	7.9.2007 to 7.9.2017	0.137	0.685	67,424,749	–	–	(53,939,800)	13,484,949
	28.9.2007	28.9.2007 to 28.9.2017	0.1477	0.7385	22,474,916	–	–	(17,979,933)	4,494,983
Sub-total					592,214,046	–	–	(473,771,239)	118,442,807
					700,318,394	–	–	(560,254,717)	140,063,677
Exercisable at the end of the year									140,063,677
Weighted average exercise price (HK$)					0.099	–	–	0.099	0.495

Note: Upon completion of the Share Consolidation to qualifying shareholders during the year, adjustments on the exercise prices and the number of shares to be alloted and issued upon full exercise of the subscription rights attaching to the share options as disclosed in the above table were made on 6 October 2009 pursuant to the terms of the 2002 Scheme.

32. SHARE OPTION SCHEME *(Continued)*

The 2002 Scheme *(Continued)*

For the year ended 31 December 2008

The following table discloses movements in the Company's share options granted under the 2002 Scheme during the year ended 31 December 2008:

	Date of grant	Exercisable period	Adjustment to exercise price *(Note)* Before HK$	Adjustment to exercise price *(Note)* After HK$	Number of share options: Outstanding at 1.1.2008	Granted during the year	Exercised/ (forfeited) during the year	Open offer quantity adjustment during the year	Outstanding at 31.12.2008
Employees	5.10.2004	5.10.2004 to 5.10.2014	0.0712	0.0634	1,000,000	–	–	123,746	1,123,746
	26.9.2005	26.9.2005 to 25.9.2015	0.083	0.0739	5,200,000	–	–	643,478	5,843,478
	20.8.2007	20.8.2007 to 20.8.2017	0.141	0.1255	90,000,000	–	–	11,137,124	101,137,124
Sub-total					96,200,000	–	–	11,904,348	108,104,348
Other eligible persons	5.10.2004	5.10.2004 to 5.10.2014	0.0712	0.0634	25,000,000	–	–	3,093,645	28,093,645
	26.9.2005	26.9.2005 to 25.9.2015	0.083	0.0739	301,000,000	–	–	37,247,492	338,247,492
	20.8.2007	20.8.2007 to 20.8.2017	0.141	0.1255	121,000,000	–	–	14,973,244	135,973,244
	7.9.2007	7.9.2007 to 7.9.2017	0.154	0.1370	60,000,000	–	–	7,424,749	67,424,749
	28.9.2007	28.9.2007 to 28.9.2017	0.166	0.1477	20,000,000	–	–	2,474,916	22,474,916
Sub-total					527,000,000	–	–	65,214,046	592,214,046
					623,200,000	–	–	77,118,394	700,318,394
Exercisable at the end of the year									700,318,394
Weighted average exercise price (HK$)					0.112	–	–	0.112	0.099

Note: Upon completion of the open offer to qualifying shareholders during the year ended 31 December 2008, adjustments on the exercise prices and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the share options as disclosed in the above table were made on 17 June 2008 pursuant to the terms of the 2002 scheme.

32. SHARE OPTION SCHEME *(Continued)*

The 2002 Scheme *(Continued)*

Due to the Share Consolidation set out in Note 31, the exercise price per share and the number of share options have been adjusted.

No options under the 2002 Scheme had been granted to any person for the year ended 31 December 2009 and 2008.

33. DISPOSAL OF SUBSIDIARIES

The Funeway Group

The Group has disposed the entire equity interests in the Funeway Group at a cash consideration of HK$15,000,000 on 15 July 2009. The gain on such disposal was HK$15,000,000 as the Funeway Group has been deconsolidated from the Group from 31 December 2008.

The Funeway Group disposed of during the year had no significant impact on the results and cash flow of the Group. The impact of the Funeway Group on the Group's results and cash flows in prior periods is disclosed in Note 14.

China Education Investment Holdings Limited

On 16 October 2009, the Group disposed its entire equity interest in China Education Investment Holdings Limited to an independent third party at a cash consideration of HK$8,000,000 and the gain on such disposal was approximately HK$2,130,000.

Net assets at the date of disposal were as follow

	2009
	HK$'000
Plant and equipment	3,710
Investment properties	6,801
Club debentures	1,240
Other receivables	430
Bank balances and cash	460
Other payables	(5,838)
Net assets disposed of	6,803
Release of translation reserve	(933)
Gain on disposal of subsidiaries	2,130
Total consideration satisfied by cash	8,000
Net cash inflow arising on disposal:	
Cash consideration received	8,000
Bank balances and cash disposed of	(460)
	7,540

33. DISPOSAL OF SUBSIDIARIES *(Continued)*

China Education Investment Holdings Limited *(Continued)*

The subsidiary disposed of in the current year did not have significant contribution to the Group's revenue and operating results.

The subsidiary disposed of during the year paid approximately HK$113,000 to the Group's net operating cash flows, paid approximately HK$1,151,000 in respect of investing activities and no impact in respect of financing activities.

34. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	–	432,291

35. OPERATING LEASES

The Group as lessee

The Group has paid approximately HK$3,315,000 (2008: HK$3,274,000) of operating leases during the year in respect of office premises.

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

	2009	2008
	HK$'000	*HK$'000*
Within one year	**3,408**	1,959
In the second to fifth years inclusive	**3,327**	434
	6,735	2,393

Leases are negotiated for a range of one to four years and rentals are fixed for a range of one to four years.

36. CONTINGENT LIABILITIES

At 31 December 2009, the Group provided a financial guarantee of HK$183,000 (2008: HK$233,000) to an independent third party.

37. PLEDGE OF ASSETS

For the year ended 31 December 2009, the Group had pledged the investment held for trading of approximately HK$161,000 to secure the Group's margin loan payables of the same amount.

38. RETIREMENT BENEFIT SCHEMES

The Group enrolled all Hong Kong employees in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF scheme, which contribution is matched by the employees.

The Group's subsidiaries operating in the PRC and Singapore have participated in defined contribution retirement schemes and CPF Scheme organised by the relevant local government authorities in the PRC and Singapore respectively. These subsidiaries are required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

At the end of the reporting period, there are no significant forfeited contributions available to reduce the contribution payable in the future years.

The total cost charged to consolidated statement of comprehensive income of approximately HK$303,000 (2008: HK$230,000) represents contributions payable to these scheme by the Group during the year ended 31 December 2009.

39. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remunerations of directors and other members of key management were disclosed in Note 12.

Save as disclosed in the consolidated statement of financial position and Note 12, the Group has no other significant related party transaction.

40. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 HK$'000	2008 HK$'000
Non-current assets		
Property, plant and equipment	**536**	670
Interests in subsidiaries	**–**	–
	536	670
Current assets		
Other receivables	**524**	23,004
Amounts due from subsidiaries	**320,468**	291,408
Bank balances and cash	**3,092**	1,824
	324,084	316,236
Current liabilities		
Trade and other payables	**9,045**	12,230
Deposit received for disposal of subsidiaries	**–**	15,000
	9,045	27,230
Net current assets	**315,039**	289,006
	315,575	289,676
Capital and reserves		
Share capital	**105,490**	527,448
Reserves *(note)*	**210,085**	(237,772)
	315,575	289,676

40. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	163,619	48,311	41,749	(437,400)	(183,721)
Total comprehensive loss for the year	–	–	–	(158,921)	(158,921)
Issue of shares	117,255	–	–	–	117,255
Share issue expenses	(12,385)	–	–	–	(12,385)
At 31 December 2008 and 1 January 2009	268,489	48,311	41,749	(596,321)	(237,772)
Total comprehensive income for the year	–	–	–	25,898	25,898
Capital reduction	–	–	–	421,959	421,959
At 31 December 2009	268,489	48,311	41,749	(148,464)	210,085

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange in 1996 over the nominal value of the Company's shares issued in exchange thereof.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

41. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation and operation	Nominal value of issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			Directly %	Indirectly %	
Dragon Air Investments Limited	Samoa/Hong Kong	US$50,000	–	100	Investment holding
Fortune Zone International Limited	British Virgin Islands ("BVI")/ Hong Kong	US$1	100	–	Security investment
Heatwave Industries Limited	BVI/Hong Kong	US$1	–	100	Security investment
Jet Air (Singapore) Private Limited	Singapore	S$500,000	–	93	Air freight forwarding and brokers for airline and shipping companies
Jet Dispatch Limited	United States of America	US$3,000	–	100	Freight forwarding agent
Square Profits Group Inc.	BVI	US$1	100	–	Investment holding
Liyang Guohua New Energy Company Limited *(note)*	PRC	US$28,000,000	–	100	Research and development, trading of solar energy products
溧陽市南山電子設備有限公司 *(note)*	PRC	RMB2,000,000	–	100	Trading of solar energy products

Note: These companies were newly established during the year ended 31 December 2009 and not yet commence business.

All subsidiaries are companies incorporated with limited liability in the respective jurisdictions.

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

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

Financial Summary

RESULTS

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	284,466	97,130	288,863	450,644	**6,661**
Profit (Loss) before taxation	(161,010)	(59,788)	(76,509)	13,092	**6,319**
Taxation	–	(795)	(4,888)	(125)	**43**
Profit (Loss) for the year	(161,010)	(60,583)	(81,397)	12,967	**6,362**
Profit (Loss) attributable to:					
Equity holders of the Company	(136,992)	(45,768)	(81,547)	12,967	**6,362**
Minority interests	(24,018)	(14,815)	150	–	**–**
Profit (Loss) for the year	(161,010)	(60,583)	(81,397)	12,967	**6,362**

ASSETS AND LIABILITIES

	As at 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	219,930	322,900	433,150	402,684	**389,130**
Total liabilities	(187,243)	(291,485)	(447,473)	(38,266)	**(19,775)**
	32,687	31,415	(14,323)	364,418	**369,355**
Equity attributable to equity holders of the Company	58,955	72,885	29,813	364,418	**369,355**
Minority interests	(26,268)	(41,470)	(44,136)	–	**–**
	32,687	31,415	(14,323)	364,418	**369,355**