Annual Report 2009

NEW CAPITAL

NewCapital
International Investment Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1062)

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Corporate Information

DIRECTORS

Executive Directors
Mr. Liu Xiao Guang (*Chairman*)
Mr. Lawrence H. Wood (*Chief Executive Officer*)
(*also known as Wu Yuk Shing or Hu Xu Cheng*)
Mr. Cheng Bing Ren (*Retired as executive director on 27 May 2009*)
Mr. Liu Xue Min
Mr. Shi Tao
Mr. Lin Si Yu
Mr. Xiong Wei
Mr. Pan Wentang (*Appointed as executive director on 5 February 2010*)
Mr. Ge Zemin (*Appointed as executive director on 5 February 2010*)

Independent Non-executive Directors
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

QUALIFIED ACCOUNTANT

Mr. Chu Kim Wah

COMPANY SECRETARY

Miss Cheng Wing Sze

AUDIT COMMITTEE

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REMUNERATION COMMITTEE

Mr. Liu Xiao Guang
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3306
Two Exchange Square
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

AUDITORS

Grant Thornton

LEGAL ADVISER

DLA Piper Hong Kong

INVESTMENT MANAGER

KBR Management Limited
Suite 3306
Two Exchange Square
Central
Hong Kong

PROJECT MANAGER

ZY International Project Management (China) Limited
P.O. Box 957
Offshore Incorporations Centre
Tortola, British Virgin Islands

CUSTODIAN

Orangefield Management (Hong Kong) Limited
Room 1001-1002
10/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.newcapital.com.hk
www.irasia.com/listco/hk/newcapital

Chairman's Statement

For the year ended 31 December 2009, the audited loss for New Capital International Investment Limited ("New Capital" or the "Company") and its subsidiaries (the "Group") totaled HK$10,689,725. The consolidated net asset value per share of the Company was HK$0.259 as at 31 December 2009. The Group's audited loss for the year up to 31 December 2008, and consolidated net asset value per share as at 31 December 2008 were HK$33,956,826 and HK$0.274 respectively.

HIGHLIGHTS OF THE YEAR

Mainland China more than succeeded in its goal of achieving an annual growth of 8% in the midst of a global recession. Real GDP growth accelerated to 10.7% in the last quarter of 2009 from 6.1% in the first quarter as government-led investment and consumption helped offset the adverse impact of the dramatic export contraction on the economy.

For 2009 as a whole, real GDP reached 33.54 trillion yuan, rose 8.7%, slower than the growth of 2008 but above the government's 8% target. Fixed-assets investment expanded 30.5 percent to 19.41 trillion yuan, while real-estate investment surged 19.9 percent to 4.3 trillion yuan.

The Hang Seng Index gained 52% to 21872.5 in 2009. Average daily turnover for 2009 was $62.310 billion, a decease of 14%. In Hong Kong, liquidity inflow from the rest of world is accelerating with Hong Kong deemed to be an investment safe haven to ride on China's growth and as a proxy to RMB, which resulted in a very strong bull market rally.

BUSINESS REVIEW

New Capital is the investment company and the Company's shares were listed on the Main Board of the Stock Exchange pursuant to Chapter 21 of the Listing Rules.

The principal activity of the Group is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed or unlisted entities on a global basis. There was no change in the nature of the Company's principal activity in 2009.

Chairman's Statement

FUTURE PROSPECTS

Looking forward, the gradual recovery global economy will ensure a better and more stable economic environment for this year than 2009. The World Bank, for instance, forecasts that the US economy will grow 2.5% in 2010 after contracting 2.4% in 2009. Other major economies are also expected to resume growth this year. China's economy is expected to maintain a steady pace of growth in 2010. Government-led investment will continue to be the biggest contributor to overall growth, followed by household and government consumption.

In 2010, New Capital will leverage our strategic shareholder with core strengths on urban water and infrastructure sectors, and explore the businesses on water industry and the related primary land development projects. The Group will strive to get hold of the investment opportunities associated with the urbanization process in China, and bring in stable and satisfactory returns to shareholders.

Management Discussion and Analysis

RESULT

For the year ended 31 December 2009, the audited loss for New Capital International Investment Limited ("New Capital" or the "Company") and its subsidiaries (the "Group") totaled HK$10,689,725. The consolidated net asset value per share of the Company was HK$0.259 as at 31 December 2009. The Group's audited loss for the year up to 31 December 2008, and consolidated net asset value per share as at 31 December 2008 were HK$33,956,826 and HK$0.274 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group was in a good liquidity position, with cash and bank balances of HK$83,143,139 (31 December 2008: HK$72,471,934). As all the cash was placed with a major bank in Hong Kong, the Group's exposure to credit risk is considered minimal. The Board believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 31 December 2009, the Group had net assets of HK$176,414,271 (31 December 2008: HK$186,750,110) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

There has been no change to the Group's capital structure for the year at 31 December 2009.

On 25 January 2010, the Group completed a share placement and allocated 136,418,800 new shares to a subscriber, making the total number of issued share capital of the Group increased to 818,512,800 thereof.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2009, there were no charges on the Group's assets or any significant contingent liabilities (31 December 2008: nil)

Management Discussion and Analysis

PORTFOLIO REVIEW

Beijing Far East Instrument Co., Ltd. ("Beijing Far East")

Beijing Far East is a leading industrial precision instrument manufacturer in China. It is a joint venture formed by the Group and Beijing Instrument Industry Holding Co. Ltd. (北京京儀集團有限責任公司) in 1994. The principal business of Beijing Far East is to manufacture meters and precision measuring instruments. Beijing Far East cooperates with Rosemount, the subsidiary of the US Emerson Group, in producing advanced industrial pressure transmitter instruments.

Recent years, Beijing Far East has explored into automated products and industrial integrated control system, it joined hand with other companies and property developers into sector of intelligent building control system and construction technology.

Most of the clients of Beijing Far East come from electricity, petroleum, petrochemical and metallurgy industries, they receive heavy strike in the economic slowdown in 2009. Beijing Far East meets pressure in the marketing and sales works, however, still achieving business and profit growth. New opportunities arise in new energy industry, lignite coal industries and urban construction work. Beijing Far East will commit to be the solution and integrated system provider for the clients in these fields.

Beijing Far East, a long-term investment of New Capital, continues to deliver attractive return to the Company in 2009 result. Based on the unaudited management account for the year ended 31 December 2009, the revenue of Beijing Far East increased to RMB494.74 million and its profit grew to RMB19.60 million.

Management Discussion and Analysis

Retail Floors of Wuhan Xing Cheng Building

Wuhan city is the capital of Hubei Province; it is a famous historical and cultural city in China, a central metropolitan in the middle reaches of Yangtze River, national pivotal industrial base, centre of finance, commerce, logistics, information, science and education in Central China, long being reputed as "Oriental Chicago".

Wuhan Xing Cheng Building is a commercial building situated at the prime location of the city centre of Jianghan District in Wuhan. It is adjacent to the Wuhan Mobile & Telecommunication Bureau Building in the east, China Southern Airline Building in the west, 70 metres north of the building is Hankou Railway Station and the five–star Oriental Hotel. The building is at proximity to shopping malls, luxury residential apartments and commercial buildings.

The Group has acquired the beneficial interest of Profit Harbour Industrial Limited, a company registered in Hong Kong since early 2007, which holds 4,424 square meter of the two retail floors of Wuhan Xing Cheng Building, the floors are fully leased out. There are 12 office floors above the building with more than 200 office units which provide a large customer base for the retail business.

This investment provides the Group a guaranteed rental income of 8% per annum for 3 years and a potential for capital appreciation. The Group will seek to capture market opportunities to realize profit of the investment.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Liu Xiao Guang *(Chairman)*

Aged 55, was appointed as Executive Director of the Company since April 2004. Mr. Liu holds a bachelor degree in economics from Beijing Commerce College in 1982. He is also the chairman of the board of directors of Beijing Capital Land Ltd. ("Beijing Capital"), which is a H-share company listed on the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. He is also the Chairman of Beijing Capital Co. Ltd., which is a A-Share company listed on the Shanghai Stock Exchange and is a water-supply and infrastructure investment company. He was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. Mr. Liu has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr. Liu also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing. He is currently the general manager of Beijing Capital Group Co., Ltd., a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government.

Mr. Lawrence H. Wood *(Chief Executive Officer)* *(also known as Wu Yuk Shing or Hu Xu Cheng)*

Aged 48, was appointed as Executive Director of the Company since August 2003. Mr. Wood holds a bachelor degree in economics from the Beijing Economics College in 1983. Over the past 12 years, he has been working with the Beijing International Trade Association and the Beijing International Trade Research Institute, during which period his responsibilities included performing financial and economic research and providing professional advice on Beijing Government's cross-provincial investments and foreign investments, participating in the decision-making process for granting export rights to Beijing government-owned enterprises, evaluating investment proposals as well as supervising sino-foreign investments in Beijing.

Mr. Liu Xue Min

Aged 51, was appointed as Executive Director of the Company since April 2004. Mr. Liu graduated from Post Graduate Institute of Chinese Academy of Social Science in the PRC in 1998, majoring in currency and banking. Mr Liu has been the chairman of First Capital Securities Co., Limited (formerly known as Foshan Securities Co., Limited) since December 1997.

Mr. Shi Tao

Aged 46, was appointed as Executive Director of the Company since November 2006. Mr. Shi holds a Bachelor degree in Engineering from Tsinghua University and a Master degree in Engineering from Wuhan Industrial University (now known as Wuhan University of Technology). Mr. Shi has extensive business experience in the PRC. Mr. Shi is currently the President of Sense Control International Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Shi is also an Executive Director of China Haidian Holdings Limited, company whose shares are listed on The Stock Exchange of Hong Kong Limited since April 2004.

Mr. Lin Si Yu

Aged 39, was appointed as Executive Director of the Company since April 2008. Mr. Lin holds a Bachelor Degree in Fu Zhou University. He is currently the deputy general manager of 冠城大通股份有限公司 (Citychamp Dartong Company Limited) ("Citychamp"), listed on the Shanghai Stock Exchange. He had been also the board secretary of Citychamp. Mr. Lin is also the director and shareholder of Sense Control International Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Biographical Details of Directors

Mr. Xiong Wei

Aged 47, was appointed as Executive Director of the Company since April 2008. Mr. Xiong had joined Hong Kong office of Insurance Affairs of Shum Yip Holdings Company Limited and The People's Insurance Company of China – Branch of Shenzhen. He has extensive business experience in the PRC. Mr. Xiong is currently the director and shareholder of Econoworth Investments Limited, the substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. Pan Wentang
(Appointed as executive director on 5 February 2010)

Aged 44, was appointed as Executive Director of the Company since February 2010. Mr. Pan is currently General Manager and director of Beijing Capital Co. Ltd (listed on the Shanghai Stock Exchange, stock code: 600008), and also the President of Environment for China Federation of Industry Chamber of Commerce.

Mr. Pan is an expert in the water industry in China, he is responsible for the investment and management in public utilities and water industry in Beijing Capital Co. Ltd., he is the Vice Chairman of CGE-BC Water Investment Co. Ltd. (a joint venture between Beijing Capital Co. Ltd. and Veolia Water Group of France) and Shenzhen Water (Group) Co., Ltd. Mr. Pan acts in various societies in water industry, he is the Executive Director of China Urban Water Association and Chinese Hydraulic Engineering Society.

Mr. Pan holds a master degree from Capital University of Economics and Business. Prior to joining the water industry business, he had been the assistant lecturer of Capital University of Economics and Business, assistant economist of Economic Development and Planning Department of Beijing Municipal Planning Committee, research analyst and investment manager in Dharmala Capital (Hong Kong) Limited and various posts in investment and corporate strategy planning in Beijing Capital Group.

Mr. Ge Zemin
(Appointed as executive director on 5 February 2010)

Aged 57, was appointed as Executive Director of the Company since February 2010. Mr. Ge is a senior economist and holds a bachelor degree in Finance from the Central University of Finance and Economics (formerly known as Central College of Finance and Economics) in the PRC. Mr. Ge engaged in International Finance and International Trading business in Hong Kong since 1985. Mr. Ge is the Chief Overseas Business Officer of Beijing Capital Co., Ltd since 2003, and is in charge of exploring overseas business opportunities and overseeing the company's overseas operations in Beijing Capital Co. Ltd. He is also a general manager and a director of Beijing Capital (Hong Kong) Limited, deputy general manager of CGE-BC Water Investment Co. Ltd. Mr. Ge also held various management positions in several companies both in the PRC and Hong Kong. He has extensive experience and business development capabilities in international finance, domestic and international investments, and international trade.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Chun Kei

Aged 43, was appointed as Independent Non-executive Director of the Company since April 2004. Mr. To holds a bachelor degree in business administration from The University of Western Sydney, Australia and a master degree in professional accounting from The Hong Kong Polytechnic University in 2009. He is a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. To has over 20 years of experience in accounting and financial management. He is the financial controller of a private company in Hong Kong which is primarily engaged in the property investment business from 2001 to present.

Dr. Kwong Chun Wai Michael

Aged 45, was appointed as Independent Non-executive Director of the Company since April 2004. Dr. Kwong holds a bachelor degree with honours in philosophy from the University of Nottingham in the United Kingdom in 1987; and a master degree in business administration total quality management and a doctor degree in business administration both from Newport University in the United States of America in 1995 and 2001 respectively. He is a fellow member of the International Institute of Management, a life member of the Hong Kong Institute of Marketing and a member of the Institute of Supply Chain Management. Dr. Kwong is currently an independent non-executive Director of China Haidian Holdings Limited, a company whose shares are listed on the Stock Exchange, a director of the Hong Kong Economic and Trade Association, examiner of Cambridge Career Awards in Business, University of Cambridge Local Examination Syndicate in the United Kingdom and a business strategist specialising in the area of marketing and business administration. He has worked in leading media corporations as senior executives and served in the past as executive committee member in the Hong Kong branch of the Chartered Institute of Marketing and council member of the Hong Kong Institute of Marketing.

Mr. Fung Tze Wa

Aged 53, was appointed as Independent Non-executive Director since April 2004. Mr. Fung holds a master degree in professional accounting from The Hong Kong Polytechnic University in 2000. Mr. Fung is a certified public accountant. He is a member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Fung has been a director of World Link CPA Limited since 2007 and had worked in the fields of accounting and finance in several listed companies in Hong Kong for over 13 years. Mr. Fung has extensive experience in auditing, taxation and company secretarial practice in Hong Kong. He is an independent non-executive director of China Haidian Holdings Limited and Jiwa Bio-Pharm Holdings Limited, companies whose shares are listed on the Stock Exchange.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

In order to maintain high standards of corporate governance, the Company has applied the principles and complied with all the Code Provisions of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2009 with the exception of the following:

Provision E.1.2 The chairman of the Board did not attend the annual general meeting held on 27 May 2009 which is due to business commitment.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

As at 31 December 2009, the Board comprised nine Directors (Mr. Cheng Bing Ren retired as executive directors on 27 May 2009 and Mr. Pan Wentang and Mr. Ge Zemin were appointed as executive directors on 5 February 2010) as follows:

Executive Directors:

Mr. Liu Xiao Guang	*(Chairman)*
Mr. Lawrence H Wood *(also known as Wu Yuk Shing or Hu Xu Cheng)*	*(Chief Executive Officer)*
Mr. Cheng Bing Ren	*(Retired as executive director on 27 May 2009)*
Mr. Liu Xue Min	
Mr. Shi Tao	
Mr. Lin Si Yu	
Mr. Xiong Wei	
Mr. Pan Wentang	*(Appointed as executive director on 5 February 2010)*
Mr. Ge Zemin	*(Appointed as executive director on 5 February 2010)*

Independent Non-executive Directors:
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

As at 31 December 2009, the Board comprises six executive directors (one of whom is the Chairman) and three Independent Non-executive Directors (Mr. Cheng Bing Ren retired as executive directors on 27 May 2009 and Mr. Pan Wentang and Mr. Ge Zemin were appointed as executive directors on 5 February 2010). Those three Independent Non-executive Directors, two of them possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board. The biographical details of the directors are set out on pages 8 to 10 of this Annual Report.

Corporate Governance Report

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The Independent Non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The Independent Non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each Independent Non-executive Director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these Independent Non-executive Directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. Notice of at least 14 days for the regular meetings held in April, June, September and December and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, four full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of director		**Number of board meetings attended**	**Attendance rate**
Executive Directors			
Mr. Liu Xiao Guang	*(Chairman)*	4/4	100%
Mr. Lawrence H. Wood	*(Chief Executive Officer)*	4/4	100%
(also known as Wu Yuk Shing or Hu Xu Cheng)			
Mr. Cheng Bing Ren	(Note 1)	0/4	0%
Mr. Liu Xue Min		3/4	75%
Mr. Shi Tao		0/4	0%
Mr. Lin Si Yu		1/4	25%
Mr. Xiong Wei		0/4	0%
Mr. Pan Wentang	(Note 2)	N/A	N/A
Mr. Ge Zemin	(Note 3)	N/A	N/A
Independent Non-executive Directors			
Mr. To Chun Kei		4/4	100%
Dr. Kwong Chun Wai Michael		3/4	75%
Mr. Fung Tze Wa		4/4	100%

Notes:

1. Mr. Cheng Bing Ren retired as executive director of the Company on 27 May 2009.

2. Mr. Pan Wentang was appointed as executive director of the Company on 5 February 2010.

3. Mr. Ge Zemin was appointed as executive director of the Company on 5 February 2010.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Liu Xiao Guang and the Chief Executive Officer of the Company is Mr. Lawrence H. Wood. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company. In accordance with the relevant provisions in the Articles of Association of the Company, the appointment of directors is considered by the board and they must stand for election by shareholders at the annual general meetings.

The Independent Non-executive Directors of the Company are appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

As at 31 December 2009, the Audit Committee comprised the following Audit Committee members:

Mr. To Chun Kei *(Chairman)*
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

All of the Audit Committee members are Independent Non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005 and revised in 2009.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2009.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of director	**Number of Audit Committee meetings attended**	**Attendance rate**
Mr. To Chun Kei	2/2	100%
Dr. Kwong Chun Wai Michael	2/2	100%
Mr. Fung Tze Wa	2/2	100%

Corporate Governance Report

REMUNERATION COMMITTEE

As at 31 December 2009, the Remuneration Committee comprised the following remuneration committee members:

Mr. Liu Xiao Guang *(Chairman)*
Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005 and revised in 2007.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions of the Group and the desirability of performance-based remuneration.

During the year, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of director	Number of Remuneration Committee meetings attended	Attendance rate
Mr. Liu Xiao Guang	1/1	100%
Mr. To Chun Kei	1/1	100%
Dr. Kwong Chun Wai Michael	1/1	100%
Mr. Fung Tze Wa	1/1	100%

AUDITOR'S REMUNERATION

Messrs. Deloitte Touche Tohmatsu was re-appointed by the shareholders as the Company's auditors during 2009 in the annual general meeting on 27 May 2009. Messrs. Deloitte Touche Tohmatsu have resigned as auditors of the Company and its subsidiaries with effect from 22 July 2009; and Messrs. Grant Thornton have been appointed as auditors of the Company with effect from 23 July 2009 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu until the conclusion of the next annual general meeting of the Company. Both their engagements of the audit for 2009 has been reviewed and approved by the Audit Committee.

During the year 2009, no auditor's remuneration was paid to Messrs. Deloitte Touche Tohmatsu, and the total amount of remuneration paid/payable to Messrs. Grant Thornton, the auditors of the Company, for the audit and non-audit services rendered to the Group is as follows:

	HK$
Interim review services	100,000
Annual audit services	400,000

Corporate Governance Report

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements, circulars as well as Company's website.

The annual general meeting provides a useful forum for shareholders to exchanges views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2009 in accordance with the Procedure Manual of the Company. The report was submitted to the Audit Committee to review.

Report of the Directors

The Directors present their report to the shareholders together with the audited consolidated financial statements for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis.

SUBSIDIARIES AND ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2009 are set out in notes 16, 17 and 18, respectively, to the consolidated financial statements.

RESULTS

The results of the Group for the financial year ended 31 December 2009 are set out in the consolidated statement of comprehensive income as set out on page 25 of the annual report.

FIVE YEAR GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is given on page 66 of the annual report.

DIVIDEND PROPOSED

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 24 to the consolidated financial statements.

RESERVES

Movements in the reserves during the financial year are set out on page 28 of the annual report.

Report of the Directors

DIRECTORS

The directors of the Company during the financial year were:

Executive Directors

Mr. Liu Xiao Guang	*(Chairman)*
Mr. Lawrence H Wood *(also known as Wu Yuk Shing or Hu Xu Cheng)*	*(Chief Executive Officer)*
Mr. Cheng Bing Ren	*(Retired as executive director on 27 May 2009)*
Mr. Liu Xue Min	
Mr. Shi Tao	
Mr. Lin Si Yu	
Mr. Xiong Wei	
Mr. Pan Wentang	*(Appointed as executive director on 5 February 2010)*
Mr. Ge Zemin	*(Appointed as executive director on 5 February 2010)*

Independent Non-executive Directors

Mr. To Chun Kei
Dr. Kwong Chun Wai Michael
Mr. Fung Tze Wa

Mr. Liu Xiao Guang, Mr. Shi Tao and Mr. To Chun Kei will retire by rotation from the board of directors in accordance with Article 88 of the Company's articles of association at the forthcoming annual general meeting. Mr. Liu Xiao Guang, Mr. Shi Tao and Mr. To Chun Kei, all being eligible, offer themselves for re-election.

Mr. Pan Wentang and Mr. Ge Zemin were appointed as executive directors of the Company on 5 February 2010 shall hold office until the next following annual general meeting of the Company; and shall then be eligible for re-election in accordance with Article 87(3) of the Company's articles of association.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the Directors of the Company and their respective associates had interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange, details of which are set out in the section headed "Interests and Short Positions of Shareholders" below.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

So far as is known to the Directors, as at 31 December 2009, the persons/companies who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	No. of Shares	Approximate% of shareholding
Mr. Lin Si Yu (Note 1)	107,600,000	15.77
Sense Control International Limited (Note 1)	107,600,000	15.77
Dover VI Associates, LLC (Note 2)	105,800,000	15.51
Dover VI Associates, L.P. (Note 2)	105,800,000	15.51
Dover SPING GP LLC (Note 2)	85,140,000	12.48
Dover SPING L.P. (Note 2)	85,140,000	12.48
Dover Street VI L.P. (Note 2)	20,660,000	3.03
Mr. Xiong Wei (Note 3)	62,000,000	9.09
Econoworth Investments Limited (Note 3)	62,000,000	9.09

Notes:

1. Sense Control International Limited is beneficially and wholly owned by Mr. Lin Si Yu. Mr. Lin Si Yu is therefore deemed to be interested in the same parcel of shares held by Sense Control International Limited.

2. (a) The 85,140,000 shares were held by Dover SPING L.P., Dover SPING GP LLC, which has controlling interest in Dover SPING L.P., is therefore deemed to be interested in the same parcel of shares held by Dover SPING L.P..

   (b) The 20,660,000 shares were held by Dover Street VI L.P..

   (c) Dover VI Associates, LLC has controlling interest in Dover VI Associates L.P. and Dover VI Associates L.P. has controlling interest in Dover SPING GP LLC and Dover Street VI L.P.. Both Dover VI Associates, LLC and Dover VI Associates L.P. are therefore deemed to be interested in the 85,140,000 shares held by Dover SPING L.P. and the 20,660,000 shares held by Dover Street VI L.P..

3. Econoworth Investments Limited is beneficially and wholly owned by Mr. Xiong Wei. Mr. Xiong Wei is therefore deemed to be interested in the same parcel of shares held by Econoworth Investments Limited.

SUBSEQUENT EVENT

Details of a subsequent event of the Group are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles of Association of the Company nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

SHARE OPTION SCHEME

As at 31 December 2009, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

1. Purpose

To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company

2. Participants

Any director, employee, executive of the Company, or any subsidiaries from time to time of the Company

3. The total number of ordinary securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report

64,711,400 ordinary shares, which represents 9.49% of the issued share capital at date of this annual report

4. Maximum entitlement of each participant

Not to exceed 1% of the issued share capital in any 12 month period

5. Period within which the securities must be taken up under an option

30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option

6. Minimum period for which an option must be held before it can be exercised

6 calendar months after the offer date of the relevant option

7. Amount payable on application or acceptance of the option

HK$10

8. Period within which payments or calls must or maybe made or loans for such purpose must be repaid

Not applicable

9. The basis of determining the exercise price

The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher

10. The remaining life of the share option scheme

Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme.

Report of the Directors

Since the adoption of the share option scheme of the Company on 7 February 2005, no options to subscribe for ordinary share in the Company have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

(1) Under an investment management agreement between the Company and KBR Management Limited ("KBR") dated 3 March 2008, KBR agreed to provide investment management advice and all matters relating to the Company's listing status and regulations in relation to Listing Rules and Corporate Governance to the Company for an initial term of three years, subject to renewal for a term of three years.

KBR is a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 24 August 2007, and is principally engaged in the business of provision of financial and investment advisory services to clients on direct investment projects and is a deemed licensed corporation to carry out Type 4 (advising on securities), Type 6 (corporate finance) and Type 9 (asset management) regulated activities under the SFO. The sole shareholder of KBR is Mr. Kwan Bo Ren and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ultimate beneficial owners of KBR are independent third parties not connected with the Company and its connected persons. The board of directors of KBR includes Mr. Kwan Bo Ren and Ms. Lau Yin Wing. KBR, in accordance with the terms of the agreement, is entitled to a fee of HK$400,000 per annum, payable quarterly in advance. KBR is regarded as a connected person of the Company and accordingly the investment management agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2009 was HK$400,000.

(2) Under a custodian agreement between the Company and Orangefield Management (Hong Kong) Limited ("Orangefield") dated 20 September 2006, Orangefield shall be responsible for the safe-keeping of all the Documents of Title which may be delivered to it by the Company from time to time during the continuance of the custodian agreement. The custodian agreement has no fixed term but is subject to termination by either Orangefield or the Company giving to the other party not less than one month's prior notice of termination. Orangefield is entitled to receive a fixed fee of HK$60,000 per annum, payable quarterly in advance. To the best of the Directors' knowledge, information and belief having all reasonable enquiry, Orangefield is an independent third parties not connected with the Company and its connected persons.

Orangefield is regarded as a connected person of the Company and accordingly the custodian agreement constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The total amount of the aforesaid transaction for the year ended 31 December 2009 was HK$60,000.

The Directors engaged the auditors of the Company to perform certain agreed-upon procedures in respect of continuing connected transactions of the Company. The procedures were performed solely to assist the Directors of the Company to evaluate in accordance with Rules 14A.38 of the Listing Rules whether the above continuing connected transactions:

(a) had received the approval of the Directors of the Company;

(b) had been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(c) had not exceeded the relevant cap amounts for the financial year ended 31 December 2009.

Report of the Directors

The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the relevant agreements governing such transactions and that these transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" above.

No options were granted to, or exercised by, the Directors during the year. There was no outstanding option granted to the Directors at the beginning and at the end of the financial year.

Save as disclosed above, at no time during the financial 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 debenture of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the financial year.

INVESTMENTS

Details of the Group's investments as at 31 December 2009 are set out on pages 5 to 7.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2009.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

EMPLOYEE

As at 31 December 2009, the Company has 7 employees. Basic salary, double pay, discretionary bonus and mandatory provident fund scheme are provided to these employees.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent. This Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2009 final results was reviewed and recommended to the Board for approval by this Committee on 31 March 2010.

DISTRIBUTABLE RESERVE

At 31 December 2009, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$39,367,174 (2008: HK$43,404,114).

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Messrs. Deloitte Touche Tohmatsu who acted as auditors of the Company, have resigned with effect from 22 July 2009 and Messrs. Grant Thornton have been appointed as auditors of the Company with effect from 23 July 2009 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu until the conclusion of the next AGM of the Company. There have been no other changes of auditors in the past three years. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Grant Thornton as the auditors of the Company.

The consolidated financial statements for the year ended 31 December 2009 were audited by Grant Thornton who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

By Order of the Board of Directors of
New Capital International Investment Limited

Liu Xiao Guang
Chairman

Hong Kong, 15 April 2010

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of New Capital International Investment Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Capital International Investment Limited (the "Company") set out on pages 25 to 65, which comprise the consolidated and company statements 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the 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 financial statements.

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

OPINION

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

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

15 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$	2008 HK$
Revenue	6	**169,238**	1,681,717
Other income	7	**–**	531,569
Operating expenses		**(11,234,902)**	(12,533,061)
Share of losses of associates		**(5,590,190)**	(9,686,214)
Share of losses of jointly controlled entities		**(309,721)**	(244,496)
Changes in fair value of financial assets held for trading		**6,797,850**	(26,727,101)
Gain on dilution of interest in an associate	18	**–**	13,335,760
Loss before income tax	8	**(10,167,725)**	(33,641,826)
Income tax expense	9	**(522,000)**	(315,000)
Loss for the year		**(10,689,725)**	(33,956,826)
Other comprehensive income			
Exchange differences on translation of financial statements of associates and jointly controlled entities		**353,886**	503,081
Other comprehensive income for the year		**353,886**	503,081
Total comprehensive income for the year		**(10,335,839)**	(33,453,745)
Loss for the year attributable to:			
Owners of the Company	10	**(10,689,725)**	(33,956,826)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(10,335,839)**	(33,453,745)
		HK cents	HK cents
Loss per share for loss attributable to the owners of the Company during the year	12		
– Basic		**(1.57)**	(4.98)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$	2008 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**74,350**	49,762
Interests in associates	17	**65,536,834**	70,773,138
Interests in jointly controlled entities	18	**13,716,271**	23,946,348
Loans to a jointly controlled entity	19	**4,996,430**	7,470,489
		84,323,885	102,239,737
Current assets			
Financial assets held for trading	20	**19,594,361**	18,029,500
Other receivables, prepayments and deposits	21	**1,068,601**	6,555,166
Cash and cash equivalents	22	**83,143,139**	72,471,934
		103,806,101	97,056,600
Current liabilities			
Other payables and accruals		**10,878,715**	12,231,227
Net current assets		**92,927,386**	84,825,373
Total assets less current liabilities		**177,251,271**	187,065,110
Non-current liabilities			
Deferred tax liabilities	23	**837,000**	315,000
Net assets		**176,414,271**	186,750,110
EQUITY			
Share capital	24	**6,820,940**	6,820,940
Reserves	26	**169,593,331**	179,929,170
Total equity		**176,414,271**	186,750,110
Net asset value per share	30	**0.259**	0.274

Liu Xiao Guang
Director

Lawrence H. Wood
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$	2008 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**74,350**	49,762
Interests in subsidiaries	16	**24**	24
		74,374	49,786
Current assets			
Financial assets held for trading	20	**19,594,361**	18,029,500
Other receivables, prepayments and deposits		**1,068,601**	1,425,034
Amounts due from subsidiaries	16	**43,503,701**	60,851,516
Cash and cash equivalents	22	**83,136,384**	72,464,879
		147,303,047	152,770,929
Current liabilities			
Other payables and accruals		**10,755,715**	12,151,227
Amounts due to subsidiaries	16	**90,163,392**	90,174,234
		100,919,107	102,325,461
Net current assets		**46,383,940**	50,445,468
Net assets		**46,458,314**	50,495,254
EQUITY			
Share capital	24	**6,820,940**	6,820,940
Reserves	26	**39,637,374**	43,674,314
Total equity		**46,458,314**	50,495,254

Liu Xiao Guang
Director

Lawrence H. Wood
Director

Consolidated Statement of Changes In Equity

For the year ended 31 December 2009

	Attributable to owners of the Company						
	Share capital HK$	Share premium HK$	Special reserve HK$	Exchange reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2008	6,820,940	184,529,293	382,880,958	7,642,332	270,200	(348,297,988)	233,845,735
2007 final dividend paid (note 11.2)	–	(13,641,880)	–	–	–	–	(13,641,880)
Transactions with owners	–	(13,641,880)	–	–	–	–	(13,641,880)
Comprehensive income							
Loss for the year	–	–	–	–	–	(33,956,826)	(33,956,826)
Other comprehensive income							
Exchange differences on translation of financial statements of associates and jointly controlled entities	–	–	–	503,081	–	–	503,081
Total comprehensive income for the year	–	–	–	503,081	–	(33,956,826)	(33,453,745)
At 31 December 2008 and 1 January 2009	6,820,940	170,887,413	382,880,958	8,145,413	270,200	(382,254,814)	186,750,110
Comprehensive income							
Loss for the year	–	–	–	–	–	(10,689,725)	(10,689,725)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	–	–	–	353,886	–	–	353,886
Total comprehensive income for the year	–	–	–	353,886	–	(10,689,725)	(10,335,839)
At 31 December 2009	**6,820,940**	**170,887,413**	**382,880,958**	**8,499,299**	**270,200**	**(392,944,539)**	**176,414,271**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$	2008 HK$
Cash flows from operating activities			
Loss before income tax		**(10,167,725)**	(33,641,826)
Adjustments for:			
Depreciation of property, plant and equipment	8	**39,659**	188,852
Share of losses of associates		**5,590,190**	9,686,214
Share of losses of jointly controlled entities		**309,721**	244,496
Loss on disposals of a jointly controlled entity	8	**65,221**	–
Gain on dilution of interest in an associate		**–**	(13,335,760)
Operating loss before working capital changes		**(4,162,934)**	(36,858,024)
Increase in financial assets held for trading		**(1,564,861)**	(18,029,500)
Decrease in other receivables, prepayments and deposits		**5,486,565**	6,019,521
Decrease in other payables and accruals		**(1,352,512)**	(3,453,326)
Net cash used in operating activities		**(1,593,742)**	(52,321,329)
Cash flows from investing activities			
Proceeds from liquidation of a jointly controlled entity	18	**9,855,135**	–
Repayments from a jointly controlled entity		**2,474,059**	2,051,904
Purchases of property, plant and equipment	15	**(64,247)**	(26,417)
Dividend received from an associate		**–**	104,111,562
Investment contribution		**–**	31,500,000
Refund of investment		**–**	(31,500,000)
Net cash generated from investing activities		**12,264,947**	106,137,049
Cash flows from financing activities			
Dividend paid	11.2	**–**	(13,641,880)
Net cash used in financing activities		**–**	(13,641,880)
Net increase in cash and cash equivalents		**10,671,205**	40,173,840
Cash and cash equivalents at 1 January		**72,471,934**	32,298,094
Cash and cash equivalents at 31 December		**83,143,139**	72,471,934
Analysis of balances of cash and cash equivalents			
Deposits with banks		**7,499,967**	7,468,056
Cash at banks and in hand		**75,643,172**	65,003,878
		83,143,139	72,471,934

Notes to the Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

New Capital International Investment Limited (the "Company") is an exempted company with limited liability incorporated and domiciled in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 3306, Two Exchange Square, Central, Hong Kong. The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The principal activities of the Company and its subsidiaries (the "Group") are to achieve medium-term to long-term capital appreciation of its assets primarily through its investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. Other than liquidation of one of the Group's jointly controlled entity (note 18), there were no significant changes in the nature of the principal activities of the Group during the year.

The financial statements have been prepared in Hong Kong Dollars ("HK$"), being the functional and presentation currency of the Company and of the Group.

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 15 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost convention except for financial assets held for trading which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.3 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. When unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates and jointly controlled entities

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, investment in an associate or a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate or jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year including any impairment loss on the investment in associate or jointly controlled entity recognised for the year.

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Where unrealised losses on assets sales between the Group and its associate or jointly controlled entities are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or jointly controlled entity's accounting policies to those of the Group when the associate's or jointly controlled entity's financial statements are used by the Group in applying the equity method.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates and jointly controlled entities (continued)

When the Group's share of losses in an associate or jointly controlled entity equals or exceeds its interest in the associate or jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that investment in associate or jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate or jointly controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or jointly controlled entity, including cash flows arising from the operations of the associate or jointly controlled entity and the proceeds on ultimate disposal of the investment.

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.6 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and any impairment losses.

Depreciation on other assets is provided to write off the cost less their estimated residual values, if any, using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements	3 years
Furniture and fixtures	3 years

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.8 Impairment of non-financial assets

Property, plant and equipment, interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for CGUs are charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.10 Financial assets

Financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

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

Financial assets at fair value through profit or loss include:

– Financial assets held for trading; and

– Financial assets designated upon initial recognition as at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(i) Financial assets at fair value through profit or loss (continued)

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.6 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

Impairment of financial assets (continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.11 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Accounting for income taxes (continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

a. the Group has the legally enforceable right to set off the recognised amounts; and

b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

a. the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    i. the same taxable entity; or

    ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value which are repayable on demand and form an integral part of the Group's cash management. For the purpose of statement of cash flows preparation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.15 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in equity compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Financial liabilities

The Group's financial liabilities include other payables and accruals.

Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.17 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements.

Segment assets exclude corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to the segment.

No asymmetrical allocations have been applied to reportable segments.

Notes to the Financial Statements

For the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs

3.1 In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior years have been prepared and presented.

HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform to the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or the Company's statement of financial position at 1 January 2008 and accordingly this statement is not presented.

HKAS 27 (Amendment) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in subsidiaries, jointly controlled entity or associates (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

The adoption of this new policy has no impact on the current year results and financial position therefore. The new accounting policy has been applied prospectively as permitted by the amendment and comparatives have not been restated.

Notes to the Financial Statements

For the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

3.1 (continued)

HKFRS 7 (Amendment) Improving Disclosures about Financial Instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

HKFRS 8 Operating Segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

Annual improvements to HKFRSs 2008

In October 2008, the HKICPA issued its first annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. Of these, the amendment to HKAS 28 Investments in Associates has changed the Group's accounting policies on allocation of impairment losses but did not have any impact of the current year results and financial position.

The amendment clarifies that an investment in associate accounted for under the equity method is a single asset for the purposes of impairment testing. Any impairment loss recognised by the investor after applying the equity method is not allocated to individual assets including goodwill included in the investment balance. Accordingly, any reversal of such impairment losses in a subsequent period is recognised to the extent that the recoverable amount of the associate has increased.

The new policy also applies to the Group's investment in the jointly controlled entity, which is accounted for under the equity method in the consolidated financial statements.

For the current year, there were no impairment losses recognised and no reversals of impairment losses recognised in prior years on investments in associates and jointly controlled entities. The adoption of this new policy has no impact on the current year results and financial position therefore. The new accounting policy has been applied prospectively as permitted by the amendment and comparatives have not been restated.

Notes to the Financial Statements

For the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

3.2 At date of authorisation of these financial statements, certain new or amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 3 Business Combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree.

HKFRS 9 Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

HKAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 2.7. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is investment in securities and equity instruments. The executive directors regard it as a single business segment and no segment information is presented.

At the reporting date, non-current assets (other than financial instruments) of HK$79,253,105 (2008: HK$94,719,486) and HK$74,350 (2008: HK$49,762) are located in the People's Republic of China ("PRC") and Hong Kong respectively.

For the year ended 31 December 2009, the Group's revenue is all derived in Hong Kong. For the year ended 31 December 2008, revenue of HK$411,217 and HK$1,270,500 was derived in Hong Kong and PRC respectively.

Notes to the Financial Statements

For the year ended 31 December 2009

6. REVENUE

Revenue, which is also the Group's turnover, represents interest income and dividend income receivable from financial assets held for trading. Revenue recognised during the year is as follows:

	2009 HK$	2008 HK$
Dividend income from financial assets held for trading	122,260	101,634
Interest income	46,978	309,583
Investment income (note)	–	1,270,500
	169,238	1,681,717

Note: During the year ended 31 December 2008, the Group intended to make investment indirectly in the development right of a gold mine in the PRC and paid a deposit of HK$31,500,000. Shortly afterwards, the Group withdrew this investment and obtained the refund with a premium of HK$1,270,500 which was included as investment income above.

7. OTHER INCOME

Other income for the year ended 31 December 2008 were all foreign exchange gain, net. There was no other income for the year ended 31 December 2009.

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2009 HK$	2008 HK$
Auditors' remuneration	500,000	1,370,000
Custodian fees (note 27.1)	60,000	60,000
Investment management fees (note 27.2)	400,000	383,333
Depreciation of property, plant and equipment	39,659	188,852
Operating lease charges for premises	2,028,340	1,230,120
Project management fees (note a)	1,801,644	980,205
Loss on disposals of a jointly controlled entity (note b)	65,221	–
Net foreign exchange loss	2,337	–

Notes:

a. Project management fees are paid to ZY International Project Management (China) Limited pursuant to a project management agreement on 1 October 2006, with an initial term of three years. The project management agreement was automatically renewed in September 2009 for a term of another three years from 1 October 2009.

b. During the year, a jointly controlled entity, namely China Eco-hotel Investments Limited ("China Eco-hotel"), was liquidated and a loss of HK$65,221 (2008: Nil) has been recognised in the loss for the year.

Notes to the Financial Statements

For the year ended 31 December 2009

9. INCOME TAX EXPENSE

For the years ended 31 December 2009 and 2008, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong for both years.

	2009	2008
	HK$	HK$
Deferred tax (note 23)	**522,000**	315,000

Reconciliation between income tax expense and accounting loss at applicable tax rate:

	2009	2008
	HK$	HK$
Loss before income tax	**(10,167,725)**	(33,641,826)
Tax on loss for the year calculated at 16.5%	**(1,677,675)**	(5,550,901)
Tax effect of non-deductible expenses	**460,252**	354,474
Tax effect of non-taxable income	**(27,924)**	(2,268,251)
Tax effect of share of losses of associates and jointly controlled entities	**973,486**	1,638,567
Tax effect of tax losses not recognised	**271,861**	5,826,111
Tax effect of undistributed profits of an associate	**522,000**	315,000
Income tax expense	**522,000**	315,000

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year of HK$10,689,725 (2008: HK$33,956,826), a loss of HK$4,036,940 (2008: HK$113,764,958) has been dealt with in the financial statements of the Company.

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For the year ended 31 December 2009

11. DIVIDENDS

11.1 Dividend attributable to the year

The directors do not recommend the payment of a dividend for the year ended 31 December 2009 (2008: Nil). The Company did not declare any interim dividend during the year (2008: Nil).

11.2 Dividend attributable to the previous financial year, approved and paid during the year

	2009	2008
	HK$	HK$
2007 final dividend of HK$0.02 per share	**–**	13,641,880

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of HK$10,689,725 (2008: HK$33,956,826) and based on 682,094,000 (2008: 682,094,000) ordinary share in issue during the year.

Diluted earnings per share for the years ended 31 December 2008 and 2009 have not been presented as there is no potential ordinary share in existence during both years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2009	2008
	HK$	HK$
Wages and salaries	**3,097,695**	3,142,362
Pension costs - defined contribution plans	**57,998**	59,761
Other benefits	**129,142**	86,914
	3,284,835	3,289,037

Notes to the Financial Statements

For the year ended 31 December 2009

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' remuneration

2009

		Directors' fees	Salaries, allowances and benefits in kind	Total
		HK$	HK$	HK$
Executive directors				
Liu Xiao Guang		**30,000**	**–**	**30,000**
Lawrence H Wood		**720,000**	**–**	**720,000**
Liu Xue Min		**30,000**	**–**	**30,000**
Shi Tao		**30,000**	**–**	**30,000**
Lin Si Yu		**30,000**	**–**	**30,000**
Xiong Wei		**30,000**	**–**	**30,000**
Cheng Bing Ren	(Retired on 27 May 2009)	**12,177**	**–**	**12,177**
Independent non-executive directors				
To Chun Kei		**100,000**	**–**	**100,000**
Fung Tze Wa		**100,000**	**–**	**100,000**
Kwong Chun Wai Michael		**100,000**	**–**	**100,000**
		1,182,177	**–**	**1,182,177**

2008

		Directors' fees	Salaries, allowances and benefits in kind	Total
		HK$	HK$	HK$
Executive directors				
Liu Xiao Guang		30,000	–	30,000
Lawrence H Wood		720,000	–	720,000
Liu Xue Min		30,000	–	30,000
Shi Tao		30,000	–	30,000
Lin Si Yu	(Appointed on 14 April 2008)	21,417	–	21,417
Xiong Wei	(Appointed on 14 April 2008)	21,417	–	21,417
Cheng Bing Ren		30,000	–	30,000
Independent non-executive directors				
To Chun Kei		100,000	–	100,000
Fung Tze Wa		100,000	–	100,000
Kwong Chun Wai Michael		100,000	–	100,000
		1,182,834	–	1,182,834

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For the year ended 31 December 2009

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.1 Directors' remuneration (continued)

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2008: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

14.2 Five highest paid individuals

For the year ended 31 December 2009, the five individuals whose emoluments were the highest in the Group included one (2008: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the other four (2008: four) individuals for the year ended 31 December 2009 are as follows:

	2009	2008
	HK$	HK$
Salaries and other benefits	**1,507,014**	1,367,999
Pension costs	**33,250**	32,000
	1,540,264	1,399,999

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Emolument bands		
Nil - HK$1,000,000	**4**	4

Notes to the Financial Statements

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
Cost			
At 1 January 2008	401,733	193,205	594,938
Additions	–	26,417	26,417
At 31 December 2008 and 1 January 2009	401,733	219,622	621,355
Additions	–	64,247	64,247
At 31 December 2009	**401,733**	**283,869**	**685,602**
Accumulated depreciation			
At 1 January 2008	278,981	103,760	382,741
Charge for the year	122,752	66,100	188,852
At 31 December 2008 and 1 January 2009	401,733	169,860	571,593
Charge for the year	–	39,659	39,659
At 31 December 2009	**401,733**	**209,519**	**611,252**
Net book amount			
At 31 December 2009	**–**	**74,350**	**74,350**
At 31 December 2008	–	49,762	49,762

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2009 HK$	2008 HK$
Unlisted shares, at cost	**24**	24
Amounts due from subsidiaries	**43,503,701**	60,851,516
Amounts due to subsidiaries	**90,163,392**	90,174,234

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2009

16. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

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

Name	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid up capital	Percentage of issued share capital held by the Company %	Principal activities
Pacific Equity Venture Inc.	British Virgin Islands ("BVI")	Limited liability company	Ordinary HK$1	100	Investment holding
Success Journey Limited	BVI	Limited liability company	Ordinary US$1	100	Investment holding
Kencheers Investments Limited	BVI	Limited liability company	Ordinary US$1	100	Investment holding
Grow Reach International Limited	BVI	Limited liability company	Ordinary US$2	100	Investment holding

17. INTERESTS IN ASSOCIATES – GROUP

	2009 HK$	2008 HK$
Share of net assets	**65,536,834**	70,773,138

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which in the opinion of the directors principally affected the results or net assets of the Group.

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of interest held by the Group Voting	Proportion of interest held by the Group Beneficial	Principal activities
China Property Development (Holdings) Limited ("CPDH")	Incorporated	Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares, all shares are at US$0.01 each	20.49%	33.42%	Investment holding
Beijing Far East Instrument Company Limited ("Beijing Far East") (note)	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB 212,696,657	25%	25%	Manufacture of electronic and electrical instruments

Notes to the Financial Statements

For the year ended 31 December 2009

17. INTERESTS IN ASSOCIATES – GROUP (continued)

Note: In 2008, Beijing Far East increased its registered and paid up capital from RMB151,926,184 to RMB212,696,657. The Group did not make any capital contribution for such an increase. Accordingly, the Group's equity interests in Beijing Far East was diluted from 35% to 25%, resulting in a gain on diluted interest in Beijing Far East of HK$13,335,760 which was recognised in 2008.

All associates adopt 31 December as their year end date. The aggregate amounts of financial information as extracted from the unaudited management accounts of the associates are as follows:

	2009 HK$'000	2008 HK$'000
Assets	**550,284**	551,701
Liabilities	**(293,096)**	(284,161)
Revenue	**680,654**	573,732
Loss	**(11,808)**	(32,004)

The Group and the Company did not have any contingent liabilities or other commitments relating to its investment in associates as at 31 December 2009 and 2008.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP

	2009 HK$	2008 HK$
Share of net assets	**13,716,271**	23,946,348

Details of the Group's jointly controlled entity as at 31 December 2009, which is an unlisted corporate entity, are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	% of interest held	Principal activity
Profit Harbour Industries Limited ("Profit Harbour")	Incorporated	Hong Kong	300 ordinary shares, 9,000 non-voting ordinary shares and 700 redeemable voting deferred shares, all shares are at HK$1 each	30%	Investment holding

As described in note 8(b), during the year, a jointly controlled entity, namely China Eco-hotel, was liquidated. China Eco-hotel was incorporated in Hong Kong, in which the Group was entitled to 50% profit sharing. The Group had recovered proceeds of HK$9,855,135 upon completion of the liquidation of China Eco-hotel.

Notes to the Financial Statements

For the year ended 31 December 2009

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES – GROUP (continued)

The Group's share of the jointly controlled entity'(ies') assets, liabilities, income and expenses are as follows:

	2009 HK$'000	2008 HK$'000
Non-current assets	**15,204**	15,204
Current assets	**33**	10,138
Non-current liabilities	**(22)**	(91)
Current liabilities	**(1,499)**	(2,251)
Net assets	**13,716**	23,000
Income	**1,036**	1,036
Expenses	**(1,346)**	(1,280)

As at 31 December 2009, the Group and the Company did not have any contingent liabilities or other commitments relating to its jointly controlled entity (2008: Nil).

19. LOANS TO A JOINTLY CONTROLLED ENTITY – GROUP

The amount is interest-free, unsecured and is not repayable within next twelve months from the reporting date.

20. FINANCIAL ASSETS HELD FOR TRADING – GROUP AND COMPANY

	2009 HK$	2008 HK$
Equity investments stated at fair value		
Listed in Hong Kong	**19,594,361**	18,029,500

21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – GROUP

	2009 HK$	2008 HK$
Advance to a venture partner (note a)	**–**	5,050,000
Put option (note b)	**6,000**	497,400
Other receivables	**382,378**	63,299
Other prepayments and deposits	**680,223**	944,467
	1,068,601	6,555,166

Notes to the Financial Statements

For the year ended 31 December 2009

21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – GROUP (continued)

Notes:

(a) The outstanding advance of HK$5,050,000 due from the venture partner of a former jointly controlled entity as at 31 December 2008 has been fully recovered during the year.

(b) This represents the fair value of a put option to require the vendor to purchase all of the Group's beneficial interest in and a loan to Profit Harbour.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Deposits with banks	**7,499,967**	7,468,056	**7,499,967**	7,468,056
Cash at banks and in hand	**75,643,172**	65,003,878	**75,636,417**	64,996,823
	83,143,139	72,471,934	**83,136,384**	72,464,879

The effective interest rates of the deposits of the Group and the Company range from 0.07% to 0.11% (2008: 1.18% to 4.53%) per annum and all of them have a maturity within three months from initial recognition.

Included in cash and cash equivalents of the Group and the Company are the following amounts denominated in a currency other than the functional currency of the group entities to which they are related.

Group and Company	**2009**	2008
	HK$	HK$
United States dollars ("US$")	**2,486,804**	2,716,154

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For the year ended 31 December 2009

23. DEFERRED TAX

Group

As at 31 December 2009, the Group had unused tax losses of HK$44,788,028 (2008: HK$43,140,383) available for offset against future profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses were incurred by the companies that have been loss-making for some time. These unused tax losses do not expire under current tax legislation.

Movement on deferred tax liabilities during the year is as follows:

	Undistributed profits of an associate HK$
At 1 January 2008	–
Recognised in profit or loss (note 9)	315,000
At 31 December 2008 and 1 January 2009	315,000
Recognised in profit or loss (note 9)	522,000
At 31 December 2009	**837,000**

Company

As at 31 December 2009, the Company did not have any significant unprovided deferred tax liabilities (2008: Nil).

24. SHARE CAPITAL

	Number of shares '000	**Amount** HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	12,000,000	120,000,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009	682,094	6,820,940

Notes to the Financial Statements

For the year ended 31 December 2009

25. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY

The Company operates a share option scheme (the "Scheme") under which the board of directors of the Company may grant options to the Group's employees, including directors, to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share. Maximum number of shares in respect of which options may be granted under the Scheme may not exceed 64,711,400 ordinary shares. Maximum entitlement for each participant under the Scheme is not permitted to exceed 1% of the issued share capital in any twelve month period. An amount of HK$10 is payable upon acceptance of an option as consideration and minimum period of six calendar months after the offer date of the relevant option must be held before it can be exercised.

The subscription price will be the highest of:

(a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant (being a business day);

(b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares of the Company.

There were no options granted under the Scheme of the Company during the years ended 31 December 2009 and 2008. There are no outstanding options as at the respective reporting dates.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

Company

	Share premium HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2008	170,887,413	270,200	(13,718,341)	157,439,272
Loss and total comprehensive income for the year	–	–	(113,764,958)	(113,764,958)
At 31 December 2008 and 1 January 2009	170,887,413	270,200	(127,483,299)	43,674,314
Loss and total comprehensive income for the year	–	–	(4,036,940)	(4,036,940)
At 31 December 2009	**170,887,413**	**270,200**	**(131,520,239)**	**39,637,374**

Notes to the Financial Statements

For the year ended 31 December 2009

26. RESERVES (continued)

A summary of the nature of the reserve accounts is as follows:

Share premium

The share premium of the Company represents the aggregate of:

i. The excess of the value of the shares of ING Beijing Investment Company Limited ("ING Beijing") acquired pursuant to the scheme of arrangement which became effective in April 2005 (the "ING Scheme") over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account. The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

ii. The 2006 and 2007 final dividend payment as set out in the consolidated statement of changes in equity.

ING Beijing has already been liquidated in November 2005.

Special reserve

The special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to the ING Scheme and the amount recorded for the share capital of ING Beijing acquired.

Exchange reserve

This comprises all foreign exchange differences arising from the translation of the financial statements of associates and jointly controlled entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.

Capital redemption reserve

This is the nominal value of shares cancelled upon repurchase.

Distributability of reserves

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

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For the year ended 31 December 2009

27. CONNECTED AND RELATED PARTY TRANSACTIONS

27.1 On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited ("Orangefield"). During the year, the Group has paid custodian fee of HK$60,000 (2008: HK$60,000) to Orangefield. Custodian of the Group is regarded as a connected party in accordance with the Listing Rule 21.13.

27.2 On 3 March 2008, the Group entered into an investment management agreement with KBR Management Limited ("KBR"). During the year, the Group has paid investment management fee of HK$400,000 to KBR. During the year ended 31 December 2008, the Group had paid investment management fees of HK$333,333 to KBR and HK$50,000 to Avanta Investment Management Limited (the former investment manager) respectively. Investment managers of the Group are regarded as connected parties in accordance with the Listing Rule 21.13.

27.3 During the year, the Group paid key management personnel compensation as follows:

	2009 HK$	2008 HK$
Salaries and other short-term employee benefits	**2,227,014**	2,087,999
Retirement scheme contributions	**33,250**	32,000
	2,260,264	2,119,999

28. COMMITMENTS – GROUP AND COMPANY

28.1 Lease commitments

The Group and the Company lease office premises under operating lease arrangement, with lease negotiated for a term of three years. The lease arrangement does not include contingent rental.

As at 31 December 2009, the Group and the Company have total future minimum lease payments payable under non-cancellable operating leases in respect of rented premises as follows:

	2009 HK$	2008 HK$
Within one year	**1,971,840**	1,971,840
After one year but within five years	**1,314,560**	3,279,197
	3,286,400	5,251,037

28.2 Capital commitments

As at 31 December 2009, the Group and the Company did not have any capital commitment (2008: Nil).

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29. LITIGATION MATTERS

29.1

As set out in the 2008 Annual Financial Statements, one of the Group's associate, CPDH, had the following litigations arising from the transactions relating to its former subsidiaries, World Lexus Pacific Limited ("World Lexus") and one of its subsidiaries, Beijing Pacific Palace Real Estate Development Co., Limited ("Beijing Pacific Palace").

As at 31 December 2009 and 2008, the Group holds 33.4% equity interest in CPDH. In 2002, CPDH acquired 80% equity interest in World Lexus whose sole asset is its investment in the wholly owned subsidiary in the PRC, namely Beijing Pacific Palace. Beijing Pacific Palace was principally engaged in a property development project at Jiangtai Town, Chaoyang District, Beijing, the PRC (the "Pacific Town Project").

In 2004, CPDH entered into another agreement and acquired the remaining 20% equity interest in World Lexus (the "20% Equity Transfer Agreement") from the former minority shareholders of World Lexus (the "Former Minority of World Lexus") for a consideration of RMB85 million (the "Consideration"), which included the preliminary costs incurred by the Former Minority of World Lexus on the Pacific Town Project prior to the acquisition of 80% equity interest in World Lexus by CPDH made in 2002. CPDH did not pay the full amount of the Consideration as a result of certain breaches of the 20% Equity Transfer Agreement and other contingent liabilities by the Former Minority of World Lexus as set out below:

(a) In accordance with the terms of the 20% Equity Transfer Agreement, the Former Minority of World Lexus undertook RMB10 million in respect of a deposit paid to a consultancy company of Beijing Pacific Palace. As the consultancy company did not refund the deposit to Beijing Pacific Palace, CPDH deducted an amount of RMB10 million from the Consideration. CPDH has included the amount of RMB10 million together with unrecovered costs in its subsequent arbitration proceedings as set out in note 29.1(e) below.

(b) A third party made a claim against World Lexus for its services rendered on the Pacific Town Project. CPDH paid an amount of RMB2.2 million to this third party. As these services were not disclosed by the Former Minority of World Lexus at the time when the 20% Equity Transfer Agreement was entered, CPDH thus subsequently made a claim of RMB2.2 million plus other associated costs arising from this matter against the Former Minority of World Lexus in its subsequent arbitration proceedings as set out in note 29.1(e) below.

(c) Another third party made a claim against World Lexus for its services rendered on the Pacific Town Project. Again, information about these services was not disclosed to CPDH by the Former Minority of World Lexus at the time when the 20% Equity Transfer Agreement was entered.

Eventually, this third party confirmed in writing to World Lexus that the alleged claim had been withdrawn. CPDH has also included the associated costs arising from this matter in its claim against the Former Minority of World Lexus in its subsequent arbitration proceedings as set out in note 29.1(e) below.

(d) Save as mentioned in notes 29.1(a) to (c) above, the Former Minority of World Lexus also failed to provide legitimate tax invoices of approximately RMB4.95 million to Beijing Pacific Palace. Thus, CPDH has also included the claim of this amount plus other associated costs arising from this matter against the Former Minority of World Lexus in its subsequent arbitration proceedings as set out in note 29.1(e) below.

(e) In April 2005, CPDH and the Former Minority of World Lexus undertook arbitration proceedings in respect of the matters referred to in notes 29.1(a) to (d) above as well as certain other deductions which CPDH made under the terms of the 20% Equity Transfer Agreement.

As a result of the matters as set out in notes 29.1(a) to (d) above, CPDH deducted an amount of approximately RMB20 million from the Consideration. Up to 31 December 2009, CPDH had already paid approximately RMB65 million to the Former Minority of World Lexus, its designated accounts or the Hong Kong High Court.

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29. LITIGATION MATTERS (continued)

29.1 (continued)

(f) During the arbitration proceedings as described in note (e) above, one of the Former Minority of World Lexus and the Contracted Party made a counter claim in respect of loss of the development right on certain parts of the Pacific Town Project.

The above legal claims are currently subject to arbitration proceedings. The second hearing of the arbitration proceedings had been held from September to November 2009 and the directors and lawyers of CPDH expect the award of the arbitration proceedings from the tribunal will be available in mid 2010.

29.2 In November 2007, CPDH disposed of its entire interest in World Lexus to an independent third party (the "Buyer"). The gain arising from this disposal was then recognised by CPDH. So far, 90% of the total consideration had already been received by CPDH and the remaining 10% of the total consideration amounting to US$6,275,000 (the "Remaining Consideration") was kept by an escrow agent as a guarantee for any contingent liabilities and undisclosed tax liabilities.

In November 2008, the Buyer issued a claim letter for contingent liabilities and undisclosed information to the escrow agent, and requested the escrow agent not to release the Remaining Consideration to CPDH. CPDH objected these claims made by the Buyer and thus the escrow agent applied for interpleader summons to the Hong Kong High Court. In June 2009, CPDH filed a notice of appeal to the Hong Kong Court of Appeal in respect of escrow agent's interpleader summons on the ground that the claims made by the Buyer are not relevant to the release of the Remaining Consideration in escrow. In January 2010, the Hong Kong Court of Appeal dismissed the interpleader summons of the escrow agent and held that the escrow agent should pay the Remaining Consideration to CPDH. In February 2010, CPDH had fully received the Remaining Consideration from the escrow agent.

29.3 The directors, after considering the status of the above legal claims on the matters as set out in notes 29.1 and 29.2 above, with reference to the information provided by the directors and lawyers of CPDH, are of the opinion that no further provision or further impairment loss is required to be made in the consolidated financial statements of CPDH which have already been accounted for under equity accounting in the consolidated financial statements of the Group. The directors are of the opinion that there will be no further contingent liabilities in respect of the above arbitration proceedings.

30. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK$176,414,271 (2008: HK$186,750,110) and 682,094,000 ordinary shares in issue as at 31 December 2009 (2008: 682,094,000 ordinary shares).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including interest risk, other price risk and foreign currency risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close cooperation with the board of directors. Overall objectives in managing financial risk focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

31.1 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group has a concentration risk in respect of a loan to a jointly controlled entity of HK$4,996,430 (2008: HK$7,470,489). The directors carry a periodic review on the financial position and liquidity of the jointly controlled entity and consider that the exposure to such credit risk is minimal.

Credit risk on cash and cash equivalents is mitigated as cash is deposited in the banks of high credit rating.

None of the Group's financial assets are secured by collaterals.

31.2 Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank deposits and the Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not have an interest rate hedge policy. However, management periodically monitors interest rate exposure. The fair value interest rate risk on the bank deposits is insignificant as the time deposits are short term.

At 31 December 2009, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase both the Group's loss for the year and accumulated losses by HK$378,206 (2008: HK$324,906).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence for the whole year. The 50 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual reporting date. The same basis of analysis also performed at 31 December 2008.

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For the year ended 31 December 2009

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

31.3 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rate and foreign exchange rate). The Group is exposed to change in market prices in respect of its investments in listed equities classified as financial assets held for trading.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant industry indicators, as well as the Group's liquidity needs. To minimise the exposure to price change, management sets up guidance on disposal of certain investment if the aggregate loss of that investment exceeds certain percentage of the initial cost. The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

For listed equity securities, an average volatility of 10% has been observed in 2009 (2008: 10%). If the quoted price for the Group's investments in listed equity securities at 31 December 2009 increased or decreased by that amount, loss for the year and accumulated losses would have decreased or increased by HK$1,959,436 (2008: HK$1,802,950) in respect of listed equity securities classified as financial assets held for trading.

The assumed volatilities of listed securities represent management's assessment of a reasonably possible change in these security prices over the next twelve month period.

The fair value of put option is mainly subject to the volatility of the underlying assets of a jointly controlled entity and risk-free rate. Management considers the potential effects on the loss for the year and accumulated losses are not significant if the volatility and risk-free rate are 5% and 1% higher/lower respectively, assuming other variables were held constant at the reporting date.

31.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of its cash flow management. The Group's objective is to maintain an appropriate 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.

Other payables are the only category of financial liabilities of the Group and the balances as disclosed in note 31.6(ii) are expected to be settled within one year.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

31.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$. The Group's exposure to foreign currency risk primarily arises from cash and cash equivalents denominated in US$. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure.

As US$ is pegged to HK$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US$ is presented as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates at the reporting dates.

31.6 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2009 and 2008 may be categorised as follows. See notes 2.10 and 2.16 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2009	2008
	HK$	HK$
Loans and receivables:		
Loan to a jointly controlled entity	**4,996,430**	7,470,489
Other receivables	**382,378**	5,113,299
Cash and cash equivalents	**83,143,139**	72,471,934
	88,521,947	85,055,722
Financial assets of fair value through profit or loss:		
Financial assets held for trading	**19,594,361**	18,029,500
Put option	**6,000**	497,400
	19,600,361	18,526,900
	108,122,308	103,582,622

(ii) Financial liabilities

	2009	2008
	HK$	HK$
Financial liabilities at amortised cost:		
Other payables	**9,838,215**	10,485,011

Notes to the Financial Statements

For the year ended 31 December 2009

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

31.7 Fair values

The directors consider that the fair values of each class of the financial assets and financial liabilities approximate to their carry amounts.

31.8 Fair value measurements recognised in the statement of financial position

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: 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); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

		2009			
		Level 1	**Level 2**	**Level 3**	**Total**
	Note	HK$	HK$	HK$	HK$
Financial assets					
Financial assets held for trading	(a)	19,594,361	–	–	19,594,361
Put option	(b)	–	–	6,000	6,000
		19,594,361	–	6,000	19,600,361

There have been no significant transfers between Levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Notes to the Financial Statements

For the year ended 31 December 2009

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

31.8 Fair value measurements recognised in the statement of financial position (continued)

(a) Listed securities

The listed equity securities are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(b) Derivatives

The Group's financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from opening to closing balances as follows:

	HK$
Put option	
Opening balance	497,400
Fair value loss recognised in loss for the year	(491,400)
Closing balance	6,000

The fair value loss from the put option of HK$491,400 for the year was recognised in profit or loss for the year included under operating expenses.

32. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of the equity attributable to equity holders of the Company, comprising issued share capital and reserve.

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

33. SUBSEQUENT EVENTS

On 25 January 2010, the Company issued to an independent third party 136,418,800 ordinary shares of HK$0.10 each at a price of HK$0.27 per share for cash. Net proceeds from this share placement were approximately HK$36,733,000, which are proposed to be used for the Group's future potential investments.

Subsequent to the share placement, the issued share capital of the Company was increased from HK$6,820,940 to HK$8,185,128.

Five Year Group Financial Summary

For the year ended 31 December 2009

The consolidated results and assets and liabilities of the Group for the past five years:

Results

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
Revenue	**169,238**	1,681,717	1,055,601	1,298,316	1,621,862
Profit/(loss) for the year	**(10,689,725)**	(33,956,826)	35,414,291	25,860,547	(12,726,109)
Assets and liabilities					
Non-current assets					
Property, plant and equipment	**74,350**	49,762	212,197	365,687	498,024
Interests in associates	**65,536,834**	70,773,138	148,521,008	110,856,719	81,347,993
Interests in jointly controlled entities	**13,716,271**	23,946,348	24,795,500	–	–
Loan to a jointly controlled entity	**4,996,430**	7,470,489	9,522,393	–	–
Available-for-sale securities	**–**	–	–	6,636,300	21,976,950
Investment deposit	**–**	–	–	29,284,932	29,284,932
	84,323,885	102,239,737	183,051,098	147,143,638	133,107,899
Current assets					
Dividend receivable from an associate	**–**	–	21,606,409	–	–
Financial assets held for trading	**19,594,361**	18,029,500	–	–	–
Other receivables, prepayments and deposits	**1,068,601**	6,555,166	12,574,687	12,713,975	309,542
Cash and cash equivalents	**83,143,139**	72,471,934	32,298,094	33,461,172	38,967,253
	103,806,101	97,056,600	66,479,190	46,175,147	39,276,795
Current liabilities					
Other payables and accruals	**10,878,715**	12,231,227	15,684,553	1,653,362	1,379,222
Net current assets	**92,927,386**	84,825,373	50,794,637	44,521,785	37,897,573
Total assets less current liabilities	**177,251,271**	187,065,110	233,845,735	191,665,423	171,005,472
Non-current liabilities					
Deferred tax liabilities	**837,000**	315,000	–	–	–
Net assets	**176,414,271**	186,750,110	233,845,735	191,665,423	171,005,472
Equity					
Share capital	**6,820,940**	6,820,940	6,820,940	6,202,140	6,471,140
Reserves	**169,593,331**	179,929,170	227,024,795	185,463,283	164,534,332
Total equity	**176,414,271**	186,750,110	233,845,735	191,665,423	171,005,472