中國投資

China Investment Fund Company Limited
中 國 投 資 基 金 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612

Annual Report 2009

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

William Robert Majcher *(Chairman)*
Wan Chuen Hing, Alexander *(Managing Director)*

Independent Non-executive Directors

Yan Mou Keung, Ronald
Cheng Wing Keung, Raymond
Kwong Kwan Tong

COMPANY SECRETARY

Hong Lai Ping

AUDIT COMMITTEE

Kwong Kwan Tong *(Chairman)*
Yan Mou Keung, Ronald
Cheng Wing Keung, Raymond

REMUNERATION COMMITTEE

Cheng Wing Keung, Raymond *(Chairman)*
Yan Mou Keung, Ronald
Kwong Kwan Tong

INVESTMENT MANAGER

Baron Asset Management Limited
4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

CUSTODIAN

Standard Chartered Bank
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

Bank of Communications Company Limited
20 Pedder Street
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITORS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

www.irasia.com/listco/hk/cif

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

The Group was principally engaged in investment in both listed and unlisted securities. The Group mainly held equity investments listed in Hong Kong.

BUSINESS REVIEW

Following the financial turmoil in the United States, the growth pace of global economy has been slow down. However, at the beginning of this year, the U.S. and Chinese government introduce a series of revival plans, which has led to a rebound in the growth of the global economy, especially the stock market.

Under the above situation, the Group had made a net profit of approximately HK$17,944,000 (2008: net loss of approximately HK$43,460,000). The profit was mainly due to the dividend income of approximately HK$9,874,000 (2008: dividend income of approximately HK$711,000) and the realised gain on disposal of financial assets designated as held for trading of approximately HK$14,065,000 (2008: realised gain of approximately HK$530,000). Therefore, the Group actually recorded a net profit in the year 2009.

Securities Investments

The board exercised caution when managing the investment process during the year. For the year ended 31 December 2009, the Group recorded an audited revenue of approximately HK$10,679,000, increased by approximately 448% over the previous year. The Group made a realised gain on disposal of financial assets designated as held for trading of approximately HK$14,065,000 which was higher than last year realised gain of approximately HK$530,000. The increase in realised gain was mainly due to the favourable investment climate during the year.

Given the uncertainty of the global economy, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining high investment yields for our shareholders. We will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$44,603,000 as at 31 December 2009 (2008: approximately HK$34,122,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was not applicable as the Group had repaid the bank borrowing of approximately USD1 million at a fixed interest rate, equivalent to approximately HK$7.8 million at a fixed interest rate during the year (2008:8.63%).

There were no capital commitments as at 31 December 2009 which would require a substantial use of the Group's present cash resources or external funding.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of bank deposits denominated in Hong Kong dollars and US dollars. Approximately 10.6% of the Group's financial assets are denominated in Canadian dollars. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

MATERIAL ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

There were no material acquisition of subsidiaries and disposal of subsidiaries during the year ended 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as 20,000,000 new ordinary shares issued by subscription in consideration for cash proceed, there has been no change in the capital structure of the Company for the year under review.

EMPLOYEE INFORMATION

As at 31 December 2009, the Company had 3 executive Directors and 3 independent non-executive Directors and 2 employees. Remuneration policies for the Directors are reviewed by the Group in accordance with the market situation, respective duties, responsibilities with the Group and their performance from time to time.

PROSPECTS

Despite the economic recovery in China in 2009, the global economy remains uncertain. The Directors will continue to take a cautious and prudent approach in managing the Group's investment portfolio and develop the investment strategies. The Group will continue to look for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for 20,000,000 new ordinary shares issued by subscription on 10 December 2009 in consideration for cash proceed which are disclosed under note 22 to the Financial Statements of our Annual Report 2009.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information of the Group required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange will be dispatched to our shareholders on or before 30 April 2010 and published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Thursday, 24 June 2010 to Monday, 28 June 2010, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting to be held on Monday, 28 June 2010, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 23 June 2010.

By order of the Board
China Investment Fund Company Limited

William Robert Majcher
Executive Director

Hong Kong, 16 April 2010

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. William Robert Majcher ("Mr. Majcher"), aged 47, is an executive Director. Mr. Majcher has been appointed as Director of Baron Global Financial Canada Ltd. with effect from 24 January 2008. He has been appointed to the board of directors of Evolving Gold Corporation, a company listed on both TSX Venture Exchange of Canada and Frankfurt Stock Exchange, with effect from 21 September 2007. Mr. Majcher is also a Director of Scarlet Resources Limited on the Canadian National Stock Exchange, with effect from 6 November 2007 and Canfe Ventures Limited listed on the TSX Venture Exchange in Canada, with effect from 14 January 2008. Mr. Majcher is a highly accomplished visionary with over 20 years combined experience in public service, international finance, and capital markets. His background includes management, public stewardship, structured finance, emerging markets, product development, strategic planning and positioning, and risk management. Mr. Majcher started his career as a Eurobond trader in London, England, where he was known as one of the youngest Canadian Eurobond traders in the market. He later used this experience during a twenty-year career with the Royal Canadian Mounted Police (RCMP), where Mr. Majcher enjoyed remarkable success in covert and public market investigations that often saw him working with law enforcement and securities regulators from around the globe. Mr. Majcher has experience as a Futures and Options broker and trader in both Canada and the United States and has lectured extensively on abuse within the international capital markets, including sophisticated money laundering. Mr. Majcher is recognized as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice. Mr. Majcher obtained a bachelor's degree in Commerce from St. Mary's University, Halifax.

Mr. Wan Chuen Hing, Alexander ("Mr. Wan"), aged 50, is an executive Director. Mr. Wan graduated with a bachelor's degree in economics from University of California, Berkeley, the US. He has also undertaken a master's degree course in business administration majoring in international management in Golden Gate University, US. Mr. Alex Wan has over 19 years of banking experience in the US and the Asia Pacific Region. During the period from 1995 to 1998, Mr. Alex Wan was the manager of Asian Global Relationship Centers and the head of Credit and Corporate Finance for the West Coast Region of Citibank International Private Banking Group. He was responsible for the management and investment of high net worth clients' funds with a portfolio of over US$500 million on a discretionary basis. During the period from 1998 to 1999, Mr. Alex Wan was the managing director and head of Asia Pacific and the West Coast of Blue Stone Capital Partners, L.P., a US investment and merchant banking company. In 2000, Mr. Alex Wan was the general manager and business development director of Beenz.com Greater China Limited covering the PRC, Taiwan, Korea and Hong Kong. Beenz.com is a global customer relationship management solutions provider. From 2002 to 2008, Mr. Alex Wan had been the IT Business Director and Chief Financial Officer of Sino Resources Group Limited - previously known as Kenfair International (Holdings) Limited, a company whose securities are listed on the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yan Mou Keung, Ronald ("Mr. Yan"), aged 57, is an independent non-executive Director of the Group. Mr. Yan has more than 21 years of experience in running retail fashions. Mr. Yan is the director of Art Concept International Culture Studies Foundation Funds. He is also the Honourable Life President of Tsimshatsui Kai Fong Welfare Association, Vice President of HK Island/Northern District Scout Association, Hong Kong, Hon Life President of Artiste Training Alumni Association, Vice Chairman of Yau Tsim Mong South Area Committee, the president of Pragmatic Kwon-Do and the chairman of Chung Hop Pai, Lau Kan Tung Chinese Martial Arts Association.

Mr. Cheng Wing Keung, Raymond ("Mr. Cheng"), aged 50, is an independent non-executive Director and the chairman of the Remuneration Committee of the Group. Mr. Cheng is a solicitor practicing in Hong Kong and has over 20 years of experience in corporate, company secretarial and listing affairs. He holds a bachelor degree in laws from the University of London and a Master Degree in Business Administration from the University of Strathclyde, Scotland. Mr. Cheng was an independent non-executive director of Fortuna International Holdings Limited from 27 September 2004 to 20 September 2006. At present, he is an independent non-executive director in three listed companies in Hong Kong, Skyfame Realty (Holdings) Limited, Emperor Capital Group Limited and Sino Resources Group Limited.

Mr. Kwong Kwan Tong ("Mr. Kwong"), aged 44, has been appointed as an independent non-executive Director, member and chairman of the audit committee and member of the remuneration committee of the Company with effect from 1 February 2008. Mr. Kwong is currently a fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr. Kwong has over twenty years of experience in management accounting and financial control through his previous employment with different companies in Hong Kong and the PRC. He is now an independent non-executive director, chairman of the audit committee, member of remuneration and nomination committee of Qunxing Paper Holdings Company Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited, and the Chief Financial Officer of Verdure International Holding Company Limited.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 29 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 57. The Directors do not recommend the payment of a final dividend for the year.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out on page 21. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2009 and 2008.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

As at the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. William Robert Majcher *(Chairman)*
Mr. Wan Chuen Hing, Alexander *(Managing Director)* (appointed on 21 December 2009)
Mr. Chan Wai Lam (resigned on 5 February 2010)
Ms. Wan Ho Yan, Letty (resigned on 21 December 2009)

Independent Non-executive Directors

Mr. Yan Mou Keung, Ronald
Mr. Cheng Wing Keung, Raymond
Mr. Kwong Kwan Tong

At the forthcoming annual general meeting of the Company ("AGM"), two Directors will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2009, Ms. Wan Ho Yan, Letty is interested in 230,280,511 shares of the Company, held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which were wholly owned by her, within the meaning of Part XV of the SFO. Save as disclosed above, none of the Directors, the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 24 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a director or the chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

Name	Notes	**Number of Shares**	**Type of interest**	**Approximately percentage of issued share capital of the Company**
Wan Ho Yan, Letty	1	230,280,511	Interest of controlled corporation	21.03%
Cosmopolitan International Holdings Limited	2	161,184,000	Interest of controlled corporation	14.99%
Cheng Hew Hong, Rebecca	3	102,500,000	Beneficial owner and Interest of controlled corporation	9.36%

Notes:

1. Ms. Wan Ho Yan, Letty ("Ms. Wan") is deemed to be interested in 230,280,511 shares held by Profit Giant Holdings Limited and Harvest Capital Global Enterprises Limited which were wholly owned by Ms. Wan.

2. Cosmopolitan International Holdings Limited ("Cosmo") is deemed to be interest in 161,184,000 shares held by Joint Talent Investments Limited which is wholly owned by Cosmo. Cosmo is a company which issued shares is listed on the main board of the Stock Exchange.

3. Apart from a direct holding of 22,500,000 shares, Ms. Cheng Hew Hong ("Ms. Cheng") is deemed to be interested 80,000,000 shares through the Option held by Mega Regent Holdings Limited which is wholly owned by Ms. Cheng.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of transactions regard as connected transactions and required to be disclosed as defined under the Listing Rules, are as follow:

(i) Under the investment management agreement dated 18 December 2008 (the "Investment Management Agreement") entered into between the Company and Baron Asset Management Limited, (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing on 1 January 2009. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under investment management agreement signed on 18 December 2008, the investment management fee payable to the Investment Manager was HK$65,000 per month commencing from 1 January 2009 to 31 December 2009.

The independent non executive Directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.38 of the Listing Rules.

(ii) Pursuant to a tenancy agreement signed on 1 April 2007 between the Company and Baron International Consulting Services Limited (the "Baron International Consulting"), Baron International Consulting has leased office premises to the Company commencing on 1 April 2007 for a monthly rental of HK$80,000. The tenancy agreement is renewed on 1 April 2008 for one more year with same monthly payment. A new tenancy agreement is signed on 1 June 2009 between the Company and Baron Asia Limited (the "Baron Asia"). Baron Asia has leased office premises to the Company commencing on 1 June 2009 for a monthly rental of HK$80,000, and the term is lasted for one year. In the period from April 2009 to May 2009, the Company still paid the rental to the previous landlord - Baron International Consulting. Both Baron International Consulting and Baron Asia are fellow subsidiaries of the investment manager at the time entering into the tenancy agreement with the Company.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for 20,000,000 new ordinary shares issued by subscription on 10 December 2009 in consideration for cash proceed.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2009, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Committee currently comprised solely of independent non-executive Directors, namely, Mr. Kwong Kwan Tong (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2009.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 58.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

AUDITORS

Messrs. HLM & Co. Certified Public Accountants acted as auditors of the Company for the years ended 31 December 2007, 2008 and 2009. A resolution will be proposed in the AGM to re-appoint HLM & Co. Certified Public Accountants as auditors of the Company.

On behalf of the Board
China Investment Fund Company Limited

William Robert Majcher
Executive Director

Hong Kong, 16 April 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2009, except for the requirement that the non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2009.

BOARD OF DIRECTORS

Composition and role

The board of directors (the "Board") of the Company comprises:

Executive Directors:	William Robert Majcher, *Chairman* Wan Chuen Hing, Alexander, *Managing Director*
Independent Non-executive Directors:	Kwong Kwan Tong Yan Mou Keung, Ronald Cheng Wing Keung, Raymond

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

CORPORATE GOVERNANCE REPORT

The Board comprises of two executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on page 5 of this annual report. Two Directors are subject to retirement by rotation and re-election at the forthcoming AGM to be held on 28 June 2010.

Out of three independent non-executive Directors, Mr. Kwong Kwan Tong possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Board currently has two principal board committees, namely the Audit Committee and the Remuneration Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Director an annual confirmation of independence and the Company considers that all of the independent non-executive Directors are independent.

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM, board meeting and committee meetings held in 2009 are set out in the following table:

	Meeting attended/held			
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**AGM held on 24 April 2009**
Executive Directors				
William Robert Majcher	38/41			–
Wan Ho Yan, Letty (resigned with effect from 21 December 2009)	38/41			1
Chan Wai Lam (resigned with effect from 5 February 2010)	41/41			1
Wan Chuen Hing, Alexander (appointed with effect from 21 December 2009)	2/41			–
Independent Non-executive Directors				
Yan Mou Keung, Ronald	6/41	2/2	3/3	1
Cheung Wing Keung, Raymond	6/41	2/2	3/3	1
Kwong Kwan Tong	6/41	2/2	3/3	1

CORPORATE GOVERNANCE REPORT

Chairman and Managing Director

The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Managing Director is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Re-election of Directors

Under the Code Provision A.4.1, non-executive Directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

Audit Committee

The Committee currently comprised solely of independent non-executive Directors, namely, Mr. Kwong Kwan Tong (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2009.

HLM & Co. Certified Public Accountants (the "Auditors") were appointed as auditors of the Company until conclusion of the AGM. During the year, the Auditors rendered no non-audit services to the Group and the Group also did not incur any non-audit service fees.

The Group's 2009 audited financial statements had been duly reviewed by the Audit Committee with the Auditors. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the Auditors and therefore recommends the Board that Auditors be re-appointed as our auditors in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2009 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

Remuneration Committee

The Company established the Remuneration Committee on 28 July 2005, which is currently comprised solely of independent non-executive Directors, namely, Mr. Yan Mou Keung, Ronald, Mr. Cheng Wing Keung, Raymond and Mr. Kwong Kwan Tong. Mr. Cheng Wing Keung, Raymond is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Director. Remuneration and the employment contracts of new appointing Directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of Directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit committee. The Board believes that the existing internal control system is adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2009, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has announced its annual results and interim results in a timely manner during the year. The general meeting serves as a communication channel between Directors and shareholders. During general meeting, chairman of the Board and its committees will present to answer any queries that our shareholders may have, and separate resolutions are proposed on each substantially separate issue, including the re-election of individual directors.

The notice of AGM shall be sent to all shareholders at least 21 days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular contain such detail information will be issued to the Shareholders in due course.

INDEPENDENT AUDITORS' REPORT

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

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TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND COMPANY LIMITED
中國投資基金有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 57, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

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

HLM & Co.
Certified Public Accountants

Hong Kong, 16 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK$	2008 HK$
Revenue	6	**10,679,063**	1,945,647
Net realised loss on disposal of available-for-sale financial assets		**(1,181,555)**	–
Net realised gain on disposal of financial assets designated as held for trading		**14,065,064**	529,579
Loss on reclassification from financial assets designated as held for trading to available-for-sale financial assets		**(4,125,700)**	–
Net unrealised gain (loss) on financial assets designated as held for trading		**3,708,200**	(38,689,046)
		23,145,072	(36,213,820)
Other income	6	**509,790**	1,030,466
Administrative expenses		**(5,605,685)**	(8,079,999)
Finance costs	8	**(105,573)**	(196,889)
Profit (loss) before taxation		**17,943,604**	(43,460,242)
Taxation	9	**–**	–
Profit (loss) for the year	11	**17,943,604**	(43,460,242)
Dividend	12	**–**	–
EARNINGS (LOSS) PER SHARE	13		
– Basic (HK cents)		**1.67 cents**	(4.64) cents
– Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$	2008 HK$
Profit (loss) for the year	**17,943,604**	(43,460,242)
Other comprehensive income:		
Exchange gain on translating available-for-sale financial assets	**1,053,783**	–
Net gain (loss) arising on revaluation of available-for-sale financial assets during the year	**12,957,050**	(3,711,302)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	**2,762,836**	–
Other comprehensive income (expenses) for the year	**16,773,669**	(3,711,302)
Total comprehensive income (expenses) attributable to shareholders	**34,717,273**	(47,171,544)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$	2008 HK$
Non-current assets			
Property, plant and equipment	14	**715,937**	753,130
Prepaid lease payments - long-term portion	15	**3,144,506**	3,230,657
Available-for-sale financial assets	16	**44,917,103**	22,914,413
		48,777,546	26,898,200
Current assets			
Prepaid lease payments - current portion	15	**86,151**	86,151
Prepayments, deposits and other receivables	17	**19,962,367**	419,464
Financial assets designated as held for trading	18	**14,810,700**	45,132,730
Cash and cash equivalents	19	**44,602,638**	34,121,705
		79,461,856	79,760,050
Current liabilities			
Accruals, deposit received and other payables	20	**3,487,499**	8,491,170
Borrowings	21	**–**	7,801,250
		3,487,499	16,292,420
Net current assets		**75,974,357**	63,467,630
Net assets		**124,751,903**	90,365,830
Capital and reserves			
Share capital	22	**10,952,000**	10,752,000
Reserves	23	**113,799,903**	79,613,830
Total equity		**124,751,903**	90,365,830
Net asset value per share	13	**0.11**	0.08

The consolidated financial statements on pages 18 to 57 were approved and authorised for issue by the Board of Directors on 16 April 2010 and are signed on its behalf by:

William Robert Majcher	**Wan Chuen Hing, Alexander**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$	Share premium HK$	Other reserve HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
The Group							
At 1 January 2008	8,000,000	109,497,764	1,000,001	–	–	(3,117,351)	115,380,414
Issue of shares for cash by placing	960,000	9,531,361	–	–	–	–	10,491,361
Issue of shares for cash by subscription	1,792,000	8,422,400	–	–	–	–	10,214,400
Cancellation of equity-settled arrangements	–	–	(1,000,001)	–	–	–	(1,000,001)
Equity-settled arrangements	–	–	2,451,200	–	–	–	2,451,200
Other comprehensive expenses	–	–	–	–	(3,711,302)	–	(3,711,302)
Loss for the year	–	–	–	–	–	(43,460,242)	(43,460,242)
At 31 December 2008	10,752,000	127,451,525	2,451,200	–	(3,711,302)	(46,577,593)	90,365,830
Issue of shares for cash by subscription	200,000	1,920,000	–	–	–	–	2,120,000
Cancellation of equity-settled arrangements	–	–	(2,451,200)	–	–	–	(2,451,200)
Other comprehensive income	–	–	–	1,053,783	15,719,886	–	16,773,669
Profit for the year	–	–	–	–	–	17,943,604	17,943,604
At 31 December 2009	10,952,000	129,371,525	–	1,053,783	12,008,584	(28,633,989)	124,751,903

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$	2008 HK$
Cash flows from operating activities		
Profit (loss) for the year	**17,943,604**	(43,460,242)
Adjustments for:		
Depreciation	**37,193**	30,385
Amortisation of prepaid lease payments	**86,151**	71,792
Interest income	**(16,705)**	(691,678)
Interest expenses	**105,573**	196,889
Cancellation of equity-settled arrangements	**(2,451,200)**	(1,000,001)
Net realised loss on disposal of available-for-sale financial assets	**1,181,555**	–
Net realised gain on disposal of financial assets designated as held for trading	**(14,065,064)**	(529,579)
Loss on reclassification from financial assets designated as held for trading to available-for-sale financial assets	**4,125,700**	–
Net unrealised (gain) loss on financial assets designated as held for trading	**(3,708,200)**	38,689,046
Operating cash flows before movements in working capital	**3,238,607**	(6,693,388)
Increase in prepayments, deposits and other receivables	**(19,542,903)**	(197,746)
(Decrease) increase in accruals, deposit received and other payables	**(5,003,671)**	8,334,554
Cash (used in) generated from operations	**(21,307,967)**	1,443,420
Interest paid	**(105,573)**	(196,889)
Net cash (used in) generated from operating activities	**(21,413,540)**	1,246,531
Investing activities		
Payments for property, plant and equipment	**–**	(4,172,115)
Interest received	**16,705**	691,678
Purchase of financial assets designated as held for trading	**(37,657,956)**	(51,472,092)
Purchase of available-for-sale financial assets	**(3,594,000)**	(8,926,985)
Proceeds from disposal of financial assets designated as held for trading	**70,221,208**	7,042,535
Proceeds from disposal of available-for-sale financial assets	**8,589,766**	–
Net cash generated from (used in) investing activities	**37,575,723**	(56,836,979)
Financing activities		
Repayments of borrowings	**(7,801,250)**	–
Net proceeds from borrowings	**–**	7,801,250
Net proceeds from equity-settled arrangements	**–**	2,451,200
Net proceeds from issue of shares	**2,120,000**	20,705,761
Net cash (used in) generated from financing activities	**(5,681,250)**	30,958,211
Net increase (decrease) in cash and cash equivalents	**10,480,933**	(24,632,237)
Cash and cash equivalents at the beginning of year	**34,121,705**	58,753,942
Cash and cash equivalents at the end of year (Note 19)	**44,602,638**	34,121,705

1. GENERAL

China Investment Fund Company Limited (the "Company") is an exempted company incorporated with limited liability in the Cayman Islands on 18 September 2001. Its registered office is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at 4/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 2 January 2002.

The Company is principally engaged in investing in listed and unlisted securities. The activities of its subsidiaries are set out in note 29 to the financial statements.

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

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2009. In addition, the Group has early applied HKFRS 9 Financial Instruments in advance of their effective dates.

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 9	Financial Instruments
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)- Int 15	Agreements for the Construction of Real Estate
HK (IFRIC)- Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)- Int 18	Transfers of Assets from Customers

The impact of the application of the new HKFRSs is discussed below.

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

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

Apart from above new HKFRSs, the directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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

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

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

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements for the year ended 31 December 2009 comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group").

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

(a) Basis of consolidation

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

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

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

(b) Revenue

Revenue from sales of financial assets is recognised on a trade-date basis.

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

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

(c) Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use right is expensed in the consolidated income statement on a straight-line basis over the period of the lease.

(e) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income. For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

(f) Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments

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

(1) Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

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

(iii) it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(1) Financial assets (continued)

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

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(1) Financial assets *(continued)*

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(1) Financial assets *(continued)*

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reclassifications

Reclassifications of financial assets are allowed when, and only when an entity changes its business model for managing financial assets.

If an entity reclassifies a financial asset so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in profit or loss.

If an entity reclassifies a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(2) Financial liabilities and equity instruments

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

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

Effective interest method

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

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

(i) it has been incurred principally for the purpose of repurchasing in the near future; or

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

(iii) it is a derivative that is not designated and effective as a hedging instrument.

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

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Financial instruments *(continued)*

(2) Financial liabilities and equity instruments (continued)

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including bank and other borrowings, trade payables and others are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

(3) Derecognition

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

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

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(i) Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(k) Impairment of tangible and intangible assets other than goodwill

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Taxation *(continued)*

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

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

(m) Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturing at acquisition.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY

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

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

(a) Depreciation

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

5. FINANCIAL RISKS MANAGEMENT

The management of financial risks is carried out by the investment manager under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, the use of financial instruments and the investment of excess liquidity.

The Group's major financial instruments include financial assets designated as held for trading, and other investments in available-for-sale financial assets. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

5.1 Risk Management

(a) Market risk

The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the board of directors, and the investments in equity of other entities are Hong Kong listed and overseas unlisted financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as minerals and property investment and development. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(a) Market risk (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2008: 15% higher/lower), profit for the year ended 31 December 2009 would increase/decrease by HK$2,221,605 (2008: increase/decrease by HK$6,769,910). This is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the available-for-sale financial assets had increased/decreased by 15% (2008: 15%) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK$6,737,565 (2008: HK$3,437,162).

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets designated as held for trading, bank balances and amounts receivable on sale of investments.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers.

Accordingly, the Group has no significant concentration of credit risk.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2009, the Group has available bank loan of approximately HK$Nil (2008: HK$7,801,250). Details of which is set out in note 21.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(c) Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarized below:

		2009		
	On demand	**Within 1 year**	**1-3 years**	**Total**
Interest-bearing borrowings, unsecured	**–**	**–**	**–**	**–**
Accruals, deposit received and other payables	**3,487,499**	**–**	**–**	**3,487,499**
	3,487,499	**–**	**–**	**3,487,499**

		2008		
	On demand	Within 1 year	1-3 years	Total
Interest-bearing borrowings, unsecured	–	7,801,250	–	7,801,250
Accruals, deposit received and other payables	8,491,170	–	–	8,491,170
	8,491,170	7,801,250	–	16,292,420

(d) Interest rate risk

The Group's fair value interest rate risk related primarily to fixed-rate borrowings from a financial Institution (see note 21 for details of these borrowings). Also, The Group's variable interest bearing bank deposits and debts are exposed to interest rate risk which is considered to be minimal.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest bearing bank deposits and debt securities, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point change is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2009 would decrease/increase by HK$446,026 (2008:HK$341,217).

(e) Foreign currency risk

The Group has foreign currency on financial assets, which expose the Group to foreign currency risk. Approximately 28% of the Group's financial assets are denominated in currencies other than the functional currency.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(e) Foreign currency risk (continued)

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

	ASSETS	
	2009	2008
	HK$	HK$
EUR	**10,519**	10,198
CAD	**3,666,588**	1,126,334
USD	**8,795,813**	2,069,643

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD and CAD. For the currency risk of the Group's financial assets, the exposure is mainly in HKD against CAD, if the exchange rate of HKD against foreign currency has been increased/decreased by 5%, the Group's profit for the year would increase/decrease by HK$623,646 (2008: HK$160,309).

(f) Operational risk

Operational risk is the risk of direct or indirect profit/(loss) arising from a wide variety of causes associated with the processes and technology supporting the Group's operations either internally within the Group or externally at the Group's service provider, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities
- requirements for the reconciliation and monitoring of the transactions

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(f) ***Operational risk*** *(continued)*

- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- contingency plans
- ethical and business standards
- risk mitigation, including insurance where this is effective.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers and a review of the service providers' reports on internal controls, where available.

5.2 Fair Value Estimation

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2 Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and
- Level 3 Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 Fair Value Estimation *(continued)*

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2009			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Available-for-sale investments				
Equity securities	27,962,000	9,570,863	–	37,532,863
Debt securities	–	–	7,384,240	7,384,240
	27,962,000	9,570,863	7,384,240	44,917,103
Financial assets designated as held for trading				
Equity securities	14,810,700	–	–	14,810,700
Debt securities	–	–	–	–
	14,810,700	–	–	14,810,700

Level 3 movement tables

Financial assets	**Available-for-sale financial assets** Debt securities HK$
At 1 January 2009	8,927,590
Disposals	(2,595,970)
Gain on exchange	1,052,620
At 31 December 2009	7,384,240
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2009	–

6. REVENUE AND OTHER INCOME

The Group is principally engaged in investing in listed and unlisted financial assets. Revenue represents interest income and dividend income from financial assets.

An analysis of revenue and other income is as follows:

	2009 HK$	2008 HK$
Interest income from:		
– Deposits in financial institutions	**16,705**	691,678
– Available-for-sale financial assets	**788,730**	543,301
Dividend income from:		
– Financial assets designated as held for trading	**9,873,628**	710,668
	10,679,063	1,945,647
Other income		
– Forfeited deposits on termination of equity-settled arrangements	**–**	1,000,000
– Exchange gain	**509,790**	–
– Others	**–**	30,466
	509,790	1,030,466

7. SEGMENT INFORMATION

During the years ended 31 December 2009 and 2008 respectively, the Group's revenue were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		Others		Consolidated	
	2009 HK$	2008 HK$	**2009 HK$**	2008 HK$	**2009 HK$**	2008 HK$
Segment revenue:						
Interest income from bank deposits	**16,705**	691,678	**–**	–	**16,705**	691,678
Interest income from available-for-sale financial assets	**178,831**	360,019	**609,899**	183,282	**788,730**	543,301
Dividend received	**9,873,628**	710,668	**–**	–	**9,873,628**	710,668
	10,069,164	1,762,365	**609,899**	183,282	**10,679,063**	1,945,647
Segment assets	**120,855,162**	97,730,666	**7,384,240**	8,927,584	**128,239,402**	106,658,250
Unallocated assets					**–**	–
Total assets					**128,239,402**	106,658,250
Total liabilities					**3,487,499**	16,292,420
Other information						
Additions to non-current assets					**–**	783,515

8. FINANCE COSTS

	2009 HK$	2008 HK$
Interest on:		
Bank loans wholly repayable within one year	**105,573**	196,889

9. TAXATION

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

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to approximately HK$40,065,534.

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

	2009 HK$	2008 HK$
Profit (loss) before taxation	**17,943,604**	(43,460,242)
Tax calculated at the Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**2,960,694**	(7,170,940)
Tax effect of income not taxable for tax purpose	**(1,631,905)**	(231,387)
Tax effect of expenses not deductible for tax purpose	**718,320**	–
Tax effect of deductible temporary differences not recognised	**(268)**	(10,435)
Tax effect of tax losses not recognised	**36,565**	7,412,762
Utilisation of tax losses previously not recognised	**(2,083,406)**	–
Tax expense for the year	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note 26.

10. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	2009			
	Directors' fees HK$	**Salaries, allowances and benefits in kind HK$**	**Mandatory provident fund contributions HK$**	**Total HK$**
Executive directors				
Chan Wai Lam (Note1)	**–**	**471,000**	**12,000**	**483,000**
Wan Ho Yan, Letty (Note 2)	**–**	**760,645**	**12,000**	**772,645**
William Robert Majcher	**–**	**720,000**	**–**	**720,000**
Wan Chuen Hing, Alexander (Note 3)	**–**	**20,000**	**–**	**20,000**
Independent non-executive directors				
Kwong Kwan Tong	**90,000**	**–**	**–**	**90,000**
Yan Mou Keung, Ronald	**90,000**	**–**	**–**	**90,000**
Cheng Wing Keung, Raymond	**90,000**	**–**	**–**	**90,000**
	270,000	**1,971,645**	**24,000**	**2,265,645**

	2008			
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive directors				
Chan Wai Lam	–	108,000	3,000	111,000
Wan Ho Yan, Letty	–	710,000	12,000	722,000
William Robert Majcher	–	720,000	–	720,000
Independent non-executive directors				
Lo Wah Wai	5,000	–	–	5,000
Kwong Kwan Tong	82,500	–	–	82,500
Yan Mou Keung, Ronald	87,500	–	–	87,500
Cheng Wing Keung, Raymond	87,500	–	–	87,500
	262,500	1,538,000	15,000	1,815,500

10. DIRECTORS' REMUNERATION *(continued)*

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows: *(continued)*

Notes:

(1) Resigned on 5 February 2010
(2) Resigned on 21 December 2009
(3) Appointed on 21 December 2009

The above directors' fee, salaries, allowances and benefits in kind and mandatory provident fund contributions were paid to all directors, executives and non-executives, in respect of their duties and responsibilities with the Group and the prevailing market value.

There was no arrangement under which a director waived or agreed to waive any remuneration during both years ended 31 December 2009 and 2008.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, 3 (2008: 3) were directors of the Company whose emoluments are included in note 10(a) above. The emolument of the remaining 2 employees (2008: 2) were as follows:

	2009 **HK$**	2008 HK$
Basic salaries and other benefits	**471,395**	597,000
Mandatory provident fund contributions	**20,841**	19,900
Total emoluments	**492,236**	616,900

The aggregate emoluments of each of the employees during the year were within the emoluments band ranging from nil to HK$1,000,000.

11. PROFIT (LOSS) BEFORE TAXATION

	2009 HK$	2008 HK$
The Group's profit (loss) for the year has been arrived at after charging:		
Directors' remuneration:		
Fees	**270,000**	262,500
Other emoluments	**1,971,645**	1,538,000
Provident fund contributions	**24,000**	15,000
Staff costs		
Salaries	**471,395**	1,115,241
Other benefits	**–**	–
Provident fund contributions	**20,841**	36,270
Total staff costs (including directors' remuneration)	**2,757,881**	2,967,011
Auditors' remuneration		
Current year	**90,000**	90,000
Under provision in prior years	**–**	12,500
	90,000	102,500
Investment management fee	**780,000**	780,000
Exchange loss	**–**	2,117,904
Depreciation on property, plant and equipment	**37,193**	30,385
Operating lease rentals of land and buildings	**960,000**	960,000
And after crediting:		
Exchange gain	**509,790**	–

12. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2009 (2008: nil).

13. NET ASSET VALUE PER SHARE AND EARNINGS (LOSS) PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK$124,751,903 (2008: HK$90,365,830) by the number of shares in issue as at 31 December 2009, being 1,095,200,000 (2008: 1,075,200,000).

Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK$17,943,604 (2008: net loss for the year HK$43,460,242) and the weighted average number of 1,076,350,685 (2008: 935,995,616) ordinary shares in issue during the year. The diluted earnings (loss) per share is not presented because there were no potential dilutive shares during the both years ended 31 December 2009 and 2008.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$	Building HK$	Total HK$
COST			
At 1 January 2008	–	–	–
Additions	36,580	746,935	783,515
At 31 December 2008, at 1 January 2009 and at 31 December 2009	36,580	746,935	783,515
DEPRECIATION AND IMPAIRMENT			
At 1 January 2008	–	–	–
Charge for the year	5,487	24,898	30,385
At 31 December 2008 and at 1 January 2009	5,487	24,898	30,385
Charge for the year	7,316	29,877	37,193
At 31 December 2009	12,803	54,775	67,578
NET BOOK VALUE			
At 31 December 2009	23,777	692,160	715,937
At 31 December 2008	31,093	722,037	753,130

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

Buildings	4%
Leasehold improvements	20%

An independent valuation of the Group's land and buildings was performed by Messrs. Asset Appraisal Limited, an independent professional valuer, to determine the fair value of the land and buildings as at 31 December 2009. The valuation was arrived at by reference to recent market transactions on arm's length terms.

15. PREPAID LEASE PAYMENTS

	2009 HK$	2008 HK$
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term-lease	**3,230,657**	3,316,808
Analysed for reporting purposes as:		
Current assets	**86,151**	86,151
Non-current assets	**3,144,506**	3,230,657
	3,230,657	3,316,808

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 HK$	2008 HK$
Overseas convertible debentures, at cost (note a)	**7,384,240**	8,927,590
Less: fair value adjustment (note d)	**–**	–
	7,384,240	8,927,590
Unlisted equity securities, at cost (note b)	**10,123,879**	9,888,710
Less: fair value adjustment	**(553,016)**	(948,466)
	9,570,863	8,940,244
Unlisted bonds, at cost	**–**	7,809,415
Less: fair value adjustment	**–**	(2,762,836)
	–	5,046,579
Equity securities listed in Hong Kong, at cost (note c)	**15,400,400**	–
Add: fair value adjustment	**12,561,600**	–
	27,962,000	–
Total	**44,917,103**	22,914,413

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes:

(a) In 2008, the Group acquired convertible debenture in Jordan Ventures Ltd. ("JVL") at CAD1,000,000. JVL is a company incorporated on 26 November 2007. One of the terms and conditions in the convertible debenture agreement stated that the repayment date is 6 months subsequent to being demanded by the registered holder provided that such demand may not be made until after 12 months from the opening of head office of JVL. Subject to the borrower's right to redeem the debentures at any time after the demand date, or after the redemption notice, the outstanding principle amount of a debenture may be converted, at the sole option of the registered holder by giving notice of conversion to the borrower, into common shares of the borrower at a price per conversion share calculated based on the net book value of the borrower at the month end following the notice of conversion. The interest rate of the convertible debenture is at the prime rate (charged by Canadian Imperial Bank of Commerce) per annum paid monthly to the registered holder. The overseas convertible debenture investments are stated at cost because there are no quoted market prices for such overseas convertible debenture investments. On 9 April 2010, the Group has made demand for repayment of the convertible debenture at cost plus accrued and unpaid interest, and such amount is supposed to be received on October 2010. In addition, the variability in the range of reasonable fair value estimated is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

(b) In 2007, the Company entered into an agreement with a merchant bank Coutts Bank to acquire Coutts Private Equity Limited Partnership ("CPELP"). The investment objective of the Partnership is to seek medium to long term capital appreciation. CPELP offers the Company to access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities.

In 2008, the Group also acquired unlisted equity securities being 38,450 shares of 8.125% preferred shares in The Hong Kong and Shanghai Banking Corporation Limited. The market for these financial assets are not active, the Group establishes the value by references provided by the financial institutions. These include the use of recent arm's length transaction and reference to other instruments that are substantially the same.

(c) In 2009, the Group reclassified equity security listed in Hong Kong being 50,840,000 shares of Cosmopolitan International Holdings Limited ("Cosmopolitan") from financial assets designated as held for trading to available-for-sale financial assets as the Group changed its business model for managing financial assets. The market for these financial assets are active, the Group establishes the value by references provided by the market price.

Cosmopolitan is principally engaged in securities trading, property investment and development, provision of information technology services.

For the year ended 31 March 2009, the audited consolidated loss from ordinary activities attributable to shareholders of Cosmopolitan was approximately HK$260,102,000 and the basic loss per share was HK13.39 cents. At 31 March 2009, the audited consolidated net asset value of the Cosmopolitan was approximately HK$132,302,000. No dividend was received during the year.

(d) The directors conducted a review of the Group's available-for-sale investments during the year and determined that the fair value adjustment based on estimated recoverable amount of available-for-sale financial assets.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2009 **HK$**	2008 HK$
Prepayments (note 31)	**19,826,530**	226,980
Deposits	**5,590**	5,590
Interest receivables	**–**	56,563
Dividend receivables	**130,247**	130,331
	19,962,367	419,464

18. FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

	2009 HK$	2008 HK$
Equity securities listed in Hong Kong, at market value	**14,810,700**	45,132,730

As at 31 December 2009, financial assets designated as held for trading included the following investments:

Name of investee company	Number of shares held	Proportion of investee's company capital owned	Cost HK$	Market value HK$	Unrealised gain (loss) arising on revaluation HK$	Dividend received receivable during the year HK$
(a) Regal Hotels International Holdings Limited	300,000	0.03%	645,000	972,000	327,000	38,856
(b) Regal Real Estate Investment Trust	1,000,000	0.03%	970,000	1,650,000	680,000	178,607
(c) Sino Resources Group Limited	26,500,000	2.38%	8,824,500	11,527,500	2,703,000	–
(d) Sinopharm Group Company Limited	24,000	0.01%	663,000	661,200	(1,800)	–

A brief description of the business and financial information of the listed investee companies which represents all of the Group's assets, which are extracted from their latest published annual reports is as follows:

Notes:

(a) Regal Hotels International Holdings Limited ("Regal") is principally engaged in Hotel Ownership and Management, property investment, other investment.

For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Regal was approximately HK$431,100,000 and the basic earnings per share was HK43 cents. At 31 December 2009, the audited consolidated net asset value of the Regal was approximately HK$4,475,800,000. Dividend received was approximately HK$20,917 during the year.

(b) Regal Real Estate Investment Trust ("Regal REIT") is principally engaged in owning and investing in income-producing hotels and hospitality-related properties.

For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Regal REIT was approximately HK$112,476,000 and the basic earnings per share was HK$0.197. As at 31 December 2009, its audited consolidated net asset value was approximately HK$8,308,731,000. Dividend received was approximately HK$168,982 during the year.

(c) Sino Resources Group Limited ("Sino Resources") is principally engaged in providing ancillary services and sale of coals.

For the year ended 31 March 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Sino Resources was approximately HK$56,558,000 and the basic earning per share was HK7 cents. At 31 March 2009, its audited consolidated net asset value was approximately HK$607,096,000. No dividend was received during the year.

(d) Sinopharm Group Company Limited ("Sinopharm") is principally engaged in pharmaceutical products, laboratory supplies and operation of pharmaceutical chain stores.

For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Sinopharm was approximately RMB845,819,000 and the basic earning per share was RMB0.47. As at 31 December 2009, its audited consolidated net asset value was approximately RMB10,910,856,000. No dividend was received during the year.

19. CASH AND CASH EQUIVALENTS

	2009	2008
	HK$	HK$
Deposits with banks and other financial institutions	**10,519**	32,090,013
Cash at bank and in hand	**44,592,119**	2,031,692
	44,602,638	34,121,705

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2009	2008
EUR Dollars	**EUR945**	EUR941
US Dollars	**USD1,134,387**	USD267,047
CAD Dollars	**CAD496,542**	–

20. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES

	2009	2008
	HK$	HK$
Accrued expenses	**136,299**	138,136
Accrued interest	**–**	191,289
Other payable-broker	**–**	8,161,745
Deposit received	**3,351,200**	–
	3,487,499	8,491,170

21. BORROWINGS

	2009	2008
	HK$	HK$
Other loans-unsecured and wholly repayable within one year	**–**	7,801,250

During the year, the Group repaid the loan in the amount of USD1,000,000 (2008: Nil), equivalent to approximately HK$7,801,250 (2008: Nil).

22. SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	2009	2008	**2009 HK$**	2008 HK$
Authorised:				
At 1 January and 31 December	**1,500,000,000**	1,500,000,000	**15,000,000**	15,000,000

Issued and fully paid:

	Note	Number of shares of HK$0.01 each	HK$
At 1 January 2008		800,000,000	8,000,000
Issue of shares for cash by placing		96,000,000	960,000
Issue of shares for cash by subscription		179,200,000	1,792,000
At 31 December 2008 and 1 January 2009		1,075,200,000	10,752,000
Issue of shares for cash by subscription	(a)	**20,000,000**	**200,000**
At 31 December 2009		**1,095,200,000**	**10,952,000**

During the year, the movements in the Company's share capital are as follows:

(a) On 10 December 2009, the Company had issued and allotted 20,000,000 new shares at HK$0.106 by subscription.

23. RESERVES

	Share premium HK$	Other reserve HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2008	109,497,764	1,000,001	–	–	(3,117,351)	107,380,414
Issue of shares for cash by placing	9,531,361	–	–	–	–	9,531,361
Issue of shares for cash by subscription	8,422,400	–	–	–	–	8,422,400
Cancellation of equity-settled arrangements	–	(1,000,001)	–	–	–	(1,000,001)
Equity-settled arrangements	–	2,451,200	–	–	–	2,451,200
Other comprehensive expenses	–	–	–	(3,711,302)	–	(3,711,302)
Loss for the year	–	–	–	–	(43,460,242)	(43,460,242)
At 31 December 2008 and at 1 January 2009	127,451,525	2,451,200	–	(3,711,302)	(46,577,593)	79,613,830
Issue of shares for cash by subscription	1,920,000	–	–	–	–	1,920,000
Cancellation of equity-settled arrangements	–	(2,451,200)	–	–	–	(2,451,200)
Other comprehensive income	–	–	1,053,783	15,719,886	–	16,773,669
Profit for the year	–	–	–	–	17,943,604	17,943,604
At 31 December 2009	129,371,525	–	1,053,783	12,008,584	(28,633,989)	113,799,903

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 December 2001. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

24. SHARE OPTION SCHEME *(continued)*

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Scheme at any time during the five-year period commencing on the date upon which the option is accepted by the grantee and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceeding the date of grant; and (iii) the nominal value of a share.

The Scheme will remain in force for a period of 10 years commencing on 3 December 2001.

No option had been granted or agreed to be granted under the Scheme from the date of adoption of the Scheme.

25. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

26. DEFERRED TAXATION

At the end of the reporting period, the Group has estimated unrecognised tax losses of approximately HK$40,065,534 (2008: HK$49,446,633) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits could not be reasonably assessed. The tax losses do not expire under the current tax legislation.

The Group and the Company had no material unprovided deferred tax liabilities at the end of the reporting period (2008: nil).

27. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

(a)

	Notes	2009 HK$	2008 HK$
Investment management fees paid to			
Baron Asset Management Limited	(i)	**780,000**	–
Ping An Securities Limited		**–**	780,000
Rental expenses paid to			
Baron International Consulting Services Limited	(ii)	**400,000**	960,000
Baron Asia Limited	(ii)	**560,000**	–
Placing commission fee paid to			
Baron Capital Limited		**–**	164,640

Notes:

(i) Pursuant to the investment management agreement entered into between Baron Asset Management Limited and the Company dated 18 December 2008, Baron Asset Management Limited was appointed as the investment manager of the Company with the management fee of HK$65,000 per month commencing from 1 January 2009 to 31 December 2009.

(ii) Pursuant to a tenancy agreement signed on 1 April 2007 between the Company and Baron International Consulting Services Limited (the "Baron International Consulting"), Baron International Consulting has leased office premises to the Company commencing on 1 April 2007 for a monthly rental of HK$80,000. The tenancy agreement is renewed on 1 April 2008 for one more year with same monthly payment. A new tenancy agreement is signed on 1 June 2009 between the Company and Baron Asia Limited (the "Baron Asia"). Baron Asia has leased office premises to the Company commencing on 1 June, 2009 for a monthly rental of HK$80,000, and the term is lasted for one year. In the period from April 2009 to May 2009, the Company still paid the rental to the previous landlord - Baron International Consulting. Both Baron International Consulting and Baron Asia are fellow subsidiaries of the investment manager at the time entering into the tenancy agreement with the Company.

(iii) On 21 December 2009, Ms. Wan Ho Yan, Letty, resigned as executive Director of the Company. However, she is still one of the Company's substantive shareholders and therefore a connected person of the Company.

(b) Remuneration for key management personnel, representing amounts paid to the Company's Directors as disclosed in note 10(a) is as follows:

	2009 HK$	2008 HK$
Directors' fee	**270,000**	262,500
Salaries, allowance and benefits in kind	**1,971,645**	1,538,000
Mandatory provident fund contributions	**24,000**	15,000
	2,265,645	1,815,500

28. LEASE COMMITMENTS

The Group as lessee

As at 31 December 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2009 HK$	2008 HK$
Within one year	**400,000**	240,000

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases and rentals are negotiated for a term of one year.

29. INTERESTS IN SUBSIDIARIES

	2009 HK$	2008 HK$
Unlisted shares, at cost	**32**	24
Amounts due from subsidiaries	**13,681,168**	22,439,704
	13,681,200	22,439,728

Name	**Place of incorporation/ operation**	**Particulars of issued and paid-up share capital**	**Percentage of equity attributable to the Company**	**Principal activity**
Capital Handle Investments Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Timful International Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Delux Famous Business Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Speculation Expert Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings

30 INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company includes:

	2009 HK$	2008 HK$
Non-current assets		
Interests in subsidiaries (note 29)	**13,681,200**	22,439,728
Available-for-sale financial assets	**21,652,103**	22,914,413
	35,333,303	45,354,141
Current assets		
Financial assets designated as held for trading (note 18)	**14,810,700**	26,768,530
Prepayments, deposits and other receivables	**19,956,777**	413,874
Cash and cash equivalents	**44,602,630**	34,121,705
	79,370,107	61,304,109
Current liabilities		
Accrued liabilities and other payables (note 20)	**3,487,499**	8,491,170
Amounts due to subsidiaries	**2,404,107**	–
Borrowings (note 21)	**–**	7,801,250
	5,891,606	16,292,420
Net current assets	**73,478,501**	45,011,689
Net assets	**108,811,804**	90,365,830
Capital and reserves		
Share capital (note 22)	**10,952,000**	10,752,000
Reserves	**97,859,804**	79,613,830
Total equity	**108,811,804**	90,365,830

31. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of Fame Oriented

On 21 December 2009, the Company and Baron Natural Resources Holdings Limited ("Baron Natural Resources") entered into an agreement whereby the Company has conditionally agreed to acquire from Baron Natural Resources a 12.5% equity interest in Fame Oriented Holdings Limited ("Fame Oriented") for a consideration of HK$19,200,000. On the date the agreement was signed, a deposit of HK$9,600,000 (representing 50% of the consideration) in cash was paid by the Company to Baron Natural Resources, and on completion of the agreement, the balance of the consideration of HK$9,600,000 in cash will be paid by the Company to Baron Natural Resources. Further details of the acquisition are set out in the circular of the Company dated 14 April 2010.

(b) Acquisition of Shing View

On 21 December 2009, the Company and Mr. Lam Kwing Wai, Alvin Leslie ("Mr. Lam") entered into an agreement whereby the Company has conditionally agreed to acquire from Mr. Lam a 17.5% equity interest in Shing View Global Investment Limited ("Shing View") for a consideration of HK$19,880,000. Shing View is an investment company which will, through its wholly-owned subsidiary, acquire 100% of the equity interest in Shiyan Hao Shun Mineral Company Limited. On the date the agreement was signed, a deposit of HK$9,940,000 (representing 50% of the consideration) in cash was paid by the Company to Mr. Lam, and on completion of the agreement, the balance of the consideration of HK$9,940,000 in cash will be paid by the Company to Mr. Lam. Further details of the acquisition are set out in the circular of the Company dated 14 April 2010.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December

	2009 HK$	2008 HK$	2007 HK$	2006 HK$	2005 HK$
Results					
Revenue	**10,679,063**	1,945,647	2,349,010	1,221,619	2,553,648
Profit (loss) before taxation	**17,943,604**	(43,460,242)	7,947,793	19,328,745	(17,838,601)
Taxation	**–**	–	–	–	–
	17,943,604	(43,460,242)	7,947,793	19,328,745	(17,838,601)
Assets and Liabilities					
Total assets	**128,239,402**	106,658,250	115,537,030	73,524,416	54,149,337
Total liabilities	**(3,487,499)**	(16,292,420)	(156,616)	(233,963)	(187,629)
Net assets	**124,751,903**	90,365,830	115,380,414	73,290,453	53,961,708
Share capital	**10,952,000**	10,752,000	8,000,000	4,800,000	4,800,000
Reserves	**113,799,903**	79,613,830	107,380,414	68,490,453	49,161,708
	124,751,903	90,365,830	115,380,414	73,290,453	53,961,708
Earnings (loss) per share					
– Basic	**1.67 HK cents**	(4.64) HK cents	1.09 HK cents	2.80 HK cents	(3.72) HK cents
– Diluted	**N/A**	N/A	N/A	N/A	N/A