KongSun 江山

Kong Sun Holdings Limited

Stock Code: 295

2009 Annual Report

Contents

Corporate Information

EXECUTIVE DIRECTORS	Tse On Kin *(Chairman)* Yu Pak Yan, Peter
INDEPENDENT NON-EXECUTIVE DIRECTORS	Lau Man Tak Man Kwok Leung Wong Yun Kuen
COMPANY SECRETARY	Tsang Kwai Ping
REGISTERED OFFICE	Unit C, 10th Floor Wings Building 110-116 Queen's Road Central Hong Kong
AUDITORS	SHINEWING (HK) CPA Limited 16th Floor, United Center 95 Queensway Hong Kong
SOLICITOR	Henry Fok & Co.
PRINCIPAL BANKER	Standard Chartered Bank (Hong Kong) Limited
SHARE REGISTRAR AND TRANSFER OFFICE	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
STOCK CODE	295
CONTACT INFORMATION	Tel: 2868 1190 Fax: 2530 1770 Website: www.kongsunholdings.com

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Kong Sun Holdings Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2009.

Upon completion of acquisitions of two business segments – properties investment and development segment and manufacture and sale of life-like plants segment at the end of 2008, the Group recorded turnover of approximately HK$89,953,000 for the year ended 31 December 2009. Although the business environment continued to be competitive, both business segments strived to operate effectively and remained competitive in their respective industry.

Loss attributable to shareholders for the year ended 31 December 2009 has been narrowed down significantly to approximately HK$12,418,000 as compared to approximately HK$43,228,000 recorded in last year. Loss per share from continuing and discontinued operations have been decreased to HK4.35 cents as compared to HK33.55 cents in previous year as adjusted to the share consolidation which took place on 10 December 2009. Further reduction in deficit and possible return to profitability will be our next target for the years to come.

The major investment of the Group rests in Hong Kong and the People's Republic of China. The Group will continue to focus on its existing businesses and looking forward for strategic investment opportunities with an aim to further strengthen the asset base and/or to generate stable income to the Group.

Finally, I would like to take this opportunity to extend my sincere thanks to all our business partners, shareholders, directors and staff for their support and contribution to the Group during the past year. With their continued trust and support, we are confident that the Group will overcome any difficulties that may come ahead and emerge all the strongest.

TSE ON KIN
Chairman

Hong Kong,
26 April 2010

Management Discussion and Analysis

Review of Operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in properties investment and development and manufacture and sales of life-like plants.

For the year ended 31 December 2009, both properties investment and development and manufacture and sales of life-like plants business, which were acquired at the end of 2008, generated stable turnover to the Group. The turnover of the Group for the year ended 31 December 2009 amounted to approximately HK$89,953,000. Loss attributable to shareholders has been narrowed down to approximately HK$12,418,000 from approximately HK$43,228,000 recorded in last year. The substantial decrease of loss for the year was mainly explained by the gain generated from the disposal of subsidiaries in continuing and discontinued operations during the year of approximately HK$24,451,000.

Properties Investment and Development

The Group's properties investment and development business in Hong Kong had contributed approximately HK$1,685,000 to the total revenue of the Group for the year. Given the recovery of the Hong Kong properties market from the financial crisis, it is expected that revenue from the property business would have a healthy growth in the coming future.

Life-like plants business

The life-like plants business had contributed approximately HK$88,268,000 to the total revenue of the Group for the year ended 31 December 2009. With continued improvement in quality and enhancement in product innovation, the revenue base is considered to be stable. Enhancement in product differentiation and maintaining competitiveness in industry are on-going goals of the Group.

Prospects

Despite of the competitiveness in both business segments, the Group would continue to enhance its product differentiation and cost control initiatives so as to remain competitive in the industry. The Group has undertaken a placing of shares during the year with net proceeds of approximately HK$79,315,000 which significantly strengthen its working capital and financial position. The Group is committed to explore new investment and business opportunities to provide tremendous value-added to Shareholders.

Capital Structure

During the year ended 31 December 2009, the share capital of the Company had the following changes:

On 5 January, 8 June and 21 August 2009, aggregate of 3,316,000,000 ordinary shares of HK$0.10 each in the capital of the Company were issued upon the conversion of the convertible bonds.

Management Discussion and Analysis

On 29 June 2009, 817,000,000 ordinary shares of HK$0.10 each in the capital of the Company were issued pursuant to a placing agreement in relation to the placing of new shares of the Company at the price of HK$0.10 per placing share.

On 6 November 2009, the authorised share capital of the Company was reduced from HK$4,000,000,000 divided into 40,000,000,000 shares of HK$0.10 each to HK$400,000,000 divided into 40,000,000,000 shares of HK$0.01 each by canceling capital paid up or credited as paid up to the extent of HK$0.09 upon each of the shares of the Company in issue and by reducing the nominal value of all the issued and unissued shares of the Company from HK$0.10 to HK$0.01 per share.

On 23 November 2009, 1,044,000 ordinary shares of HK$0.01 each in the capital of the Company were issued upon the conversion of the convertible bonds.

On 10 December 2009, every 20 issued and unissued ordinary shares of HK$0.01 each were consolidated into 1 ordinary share of HK$0.20 each.

Subsequent to 31 December 2009, the following activities had been conducted:

On 2 February 2010, 60,400,000 ordinary shares of HK$0.20 each in the capital of the Company were issued pursuant to a placing agreement in relation to the placing of new shares of the Company at the price of HK$0.40 per placing shares.

On 22 February 2010, 30,210,000 share options were granted to certain consultants of the Group under the share option scheme adopted on 22 July 2009 with an exercise price of HK$0.478 each. Each option entitles the holders to subscribe for one ordinary share of HK$0.20 each of the Company.

Investment Position and Planning

During the year ended 31 December 2009, the Group spent approximately HK$4,771,000 for acquisition of plant and machinery and leasehold improvement.

The Group has invested in shares of certain companies that are traded over The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 December 2009, the Group held shares with fair value of approximately HK$4,063,000.

During the year ended 31 December 2009, the Group disposed of the entire equity interests in Kong Sun (China) Investment Limited and its subsidiaries, Pacpo Hong Kong Company Limited and its subsidiaries, Pacpo Investments Limited, Bestwick Limited and Healthy Profit Enterprises Limited and its subsidiaries (all disposed subsidiaries collectively referred to as the "Disposed Subsidiaries") and assigned all the debts due from the Disposed Subsidiaries to Mr. Kong Li Szu, an ex-director of the Company at approximately HK$36. The disposals are de minimis transactions that exempted from announcement and shareholders' approval under Chapter 14A of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules").

Management Discussion and Analysis

Investment Position and Planning – Continued

Save as disclosed above, the Group did not have any significant investment and there are no material acquisition or disposal of subsidiaries and associated company during 2009.

Charge on the Group's Assets and Contingent Liabilities

As at 31 December 2009, the Group's bank deposits in the amount of HK$1,341,000 had been pledged to the customs authorities of the People's Republic of China (the "PRC").

As at 31 December 2009, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

At 31 December 2009, the Group has approximately 130 employees located in Hong Kong and the PRC. They are remunerated according to the nature of the job market trends, with built-in merit components incorporated in annual review to reward and motivate individual performance.

Liquidity and Financial Resources

As at 31 December 2009, the total shareholders fund of the Group amounted to approximately HK$194,064,000, (2008: HK$30,158,000), total assets of approximately HK$252,439,000 (2008: HK$214,485,000), current liabilities of approximately HK$10,750,000 (2008: HK$143,875,000) and non-current liabilities of approximately HK$47,625,000 (2008: HK$40,452,000).

The debt ratio (based on the sum of current liability and long-term liability over the equity) of the Group was dropped significantly from the ratio of 6.1 as at 31 December 2008 to the ratio of 0.3 as at 31 December 2009.

The Group's business operation and investment are in Hong Kong and the PRC and most assets, liabilities and transactions of the Group are denominated in Hong Kong Dollar ("HKD") and Renminbi ("RMB"). The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risks.

Biographical Details of Directors and Senior Management

Mr. Tse On Kin

Chairman

aged 48, joined the Group on 20 April 2007 and is also the Chairman of the Board and the director of certain subsidiaries of the Company. Mr. Tse has over 20 years of management experience covering corporate planning, group restructuring, business development, project injection, merger and acquisition. Mr. Tse also has about 20 years experience in electronic manufacturing field. Mr. Tse has a Bachelor degree in Public Policy and Administration from York University in Canada. Mr. Tse is currently the chairman and executive director of China Grand Forestry Green Resources Group Limited (stock code: 910) and Climax International Company Limited (stock code: 439), a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and an independent non-executive director of Value Convergence Holdings Limited (stock code: 821). Mr. Tse was also the former chairman and executive director of Asia Energy Logistics Group Limited (stock code: 351) from March 2006 to March 2007 and New Times Energy Corporation Limited (stock code: 166) from May 2007 to April 2009, an executive director of Mexan Limited (stock code: 022) from March 2005 to July 2007, a non-executive director of Climax International Company Limited (stock code: 439) from September 2007 to July 2008 and New Times Energy Corporation Limited (stock code: 166) from May 2009 to November 2009.

Mr. Yu Pak Yan, Peter

Executive Director

aged 59, joined the Group on 1 August 2008 and is also the director of certain subsidiaries of the Company. Mr. Yu has over 29 years of experience in real estate and financial services industries. Mr. Yu has a Bachelor degree in Management from Youngstown State University in Ohio, USA and a Master of Science degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980-1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently an independent non-executive director of Golden Resorts Group Limited (stock code: 1031).

Mr. Man Kwok Leung (appointed on 2 June 2009)

Independent Non-executive Director

aged 63, joined the Group on 2 June 2009 and is the member of audit committee and remuneration committee of the Company. Mr. Man is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. He is currently an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Climax International Company Limited (stock code: 439) and Hua Yi Copper Holdings Limited (stock code: 559).

Biographical Details of Directors and Senior Management

Mr. Lau Man Tak

Independent Non-executive Director

aged 40, joined the Group on 1 September 2008 and is the chairman of audit committee and the member of remuneration committee of the Company. Mr. Lau graduated from Hong Kong Polytechnic University with a Bachelor degree in Accountancy. Mr. Lau has more than 15 years of finance, accounting and auditing experiences. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Securities Institute. Mr. Lau is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), an independent non-executive director of Golden Resorts Group Limited (stock code: 1031) and Climax International Company Limited (stock code: 439). Mr. Lau was also a former executive director of Warderly International Holdings Limited (stock code: 607) from December 2007 to January 2010.

Dr. Wong Yun Kuen

Independent Non-executive Director

aged 52, joined the Group on 20 April 2007 and is the chairman of remuneration committee and member of audit committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), an executive director and chairman of Green Energy Group Limited (stock code: 979), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Climax International Company Limited (stock code: 439), Superb Summit International Timber Company Limited (stock code: 1228), China E-Learning Group Limited (stock code: 8055), Golden Resorts Group Limited (stock code: 1031), ZMAY Holdings Limited (stock code: 8085), Hua Yi Copper Holdings Limited (stock code: 559) and China Grand Forestry Green Resources Group Limited (stock code: 910). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from September 2004 to September 2009.

Ms. Tsang Kwai Ping

Company secretary

Joined the Group on 30 November 2009. Ms. Tsang is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Ms. Tsang has extensive experiences in auditing and financial management.

Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are properties investment and development and manufacture and sales of life-like plants.

Major Customers and Suppliers

During the year, the Group's five largest suppliers accounted for 39% of the Group's total purchases. The largest supplier accounted for 13% of the Group's total purchases.

During the year, the Group's five largest customers accounted for 97% of the Group's total sales. The largest customer accounted for 90% of the Group's total sales.

None of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors, own more than 5% of the Company's issued share capital has a beneficial interest in any of the Group's five largest suppliers or customers.

Results

The Group's loss 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 consolidated financial statements on pages 21 to 25.

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

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 26 and other details of the reserves of the Company and the Group are set out in note 38 to the consolidated financial statements.

Distributable Reserves

At 31 December 2009, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$105,752,000, may be distributed in the form of fully paid bonus shares.

Directors' Report

Fixed Assets

Details of movements during the year in the investment properties, property, plant and equipment and prepaid lease payment of the Group are set out in notes 20, 21 and 22 to the consolidated financial statements respectively.

Summary Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 106. This summary does not form part of the audited consolidated financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in respective note 38 and 39 to the consolidated financial statements.

Convertible Bonds

Details of movements in the Company's convertible bonds during the year are set out in note 35 to the consolidated financial statements.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of Hong Kong.

Purchase, Redemption or Sale of Company's Listed Securities

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

Directors' Report

Directors

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

Executive directors

Tse On Kin *(Chairman)*	
Yu Pak Yan, Peter	
Chan Chi Yuen	– resigned on 30 November 2009

Independent non-executive directors

Lau Man Tak	
Wong Yun Kuen	
Man Kwok Leung	– appointed on 2 June 2009
Lo Miu Sheung, Betty	– resigned on 2 June 2009

In accordance with article 77 of the Company's articles of association. Mr. Man Kwok Leung will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with articles 81 to 84 of the Company's articles of association, Mr. Tse On Kin and Dr. Wong Yun Kuen will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

Biographical details of the directors and senior management of the Company are set out on pages 7 to 8.

Directors' Interest in Contracts

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

Directors' and Chief Executives' Interests in Shares

At 31 December 2009, none of the directors or chief executives of the Company or their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for securities transactions by Directors of Listed Companies.

Directors' Report

Directors' and Chief Executives' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or chief executives or their spouses or children under 18 years of age, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial Shareholders

At 31 December 2009, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	**Capacity**	**Number of Ordinary shares held**	**Percentage of issued share capital**
So Chi Ming	Beneficial owner	52,536,782	12.54
Integrated Asset Management (Asia) Limited	Beneficial owner	37,800,000	9.02
Yam Tak Cheung	Interest of controlled corporation *(note)*	37,800,000	9.02
Yau Yuk Tong	Beneficial owner	36,000,000	8.59
Ho Kam Hung	Beneficial owner	34,045,400	8.12
Kong Fa Holding Limited	Beneficial owner	30,000,000	7.16
Ruan Yuan	Beneficial owner	21,370,142	5.10

Note: Yam Tak Cheung holds the entire beneficial interest in Integrated Asset Management (Asia) Limited and Yam Tak Cheung is accordingly deemed to be interested in 37,800,000 shares in the Company.

Save as disclosed above, at 31 December 2009, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Contracts

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

Directors' Report

Connected Transactions

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Events After the Reporting Period

Details of the significant events occurring after the reporting period are set out in note 48 to the consolidated financial statements.

Public Float

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

Audit Committee

The audit committee has three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial report matters including a review of the audited consolidated financial statements for the year ended 31 December 2009.

Auditors

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Tse On Kin
Chairman
Hong Kong

26 April 2010

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 December 2009.

Corporate Governance Practices

The Company has applied the principles of and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code") during the year under review, save for the deviation from code provisions A.2.1 and A.4.1 which are explained in the relevant paragraph in this report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The company does not have any officer with the title of "chief executive officer". Mr. Tse On Kin, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

The Board of Directors

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic, decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

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

Corporate Governance Report

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Composition

The Board currently comprises two executive directors, and three independent non-executive directors from different business and professional fields. The directors, including independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board of the Company comprises the following directors:

Executive Directors:
Tse On Kin
Yu Pak Yan, Peter

Independent non-executive Directors:
Lau Man Tak *(Chairman of Audit Committee and member of Remuneration Committee)*
Man Kwok Leung *(Member of Audit and Remuneration Committee)*
Wong Yun Kuen *(Chairman of Remuneration Committee and member of Audit Committee)*

The profiles of each director are set out in the "Biographical Details of Directors and Senior Management" section in this annual report.

On 2 June 2009, Ms. Lo Miu Sheung, Betty had tendered her resignation as an independent non-executive director of the Company and Mr. Man Kwok Leung had been appointed as an independent non-executive director of the Company. The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

Induction for Directors

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

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary. The directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of the responsibilities.

Corporate Governance Report

Board and Board Committee Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 17 times during the year ended 31 December 2009.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Minutes of all Board meetings sufficient details of matters considered and decisions reached are kept by the secretary of the meetings are open for inspection by the directors. The attendance of individual members of the Board and other Board Committees meetings during the year ended 31 December 2009 is set out in the table below:

	Meetings attended/held		
	Board of Directors	**Audit Committee**	**AGM/EGM**
Executive directors			
Tse On Kin	14/17	N/A	3/4
Yu Pak Yan, Peter	8/17	N/A	2/4
Chan Chi Yuen – resigned on 30 November 2009	16/17	N/A	1/3
Independent non-executive directors			
Lau Man Tak	6/17	0/2	0/4
Wong Yun Kuen	8/17	2/2	2/4
Man Kwok Leung – appointed on 2 June 2009	7/11	1/2	1/4
Lo Miu Sheung, Betty – resigned on 2 June 2009	1/6	1/2	N/A

Board Committees

The Board has established 2 committees, namely the audit committee and the remuneration committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

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

Remuneration Committee

The remuneration committee comprises three independent non-executive directors of the Company, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Dr. Wong Yun Kuen is the chairman of the remuneration committee.

Corporate Governance Report

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

Audit Committee

The audit committee comprises three independent non-executive directors of the Company, namely Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen. Mr. Lau Man Tak is the chairman of the audit committee. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The main duties of the audit committee include the followings:

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

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

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

The audit committee held two meetings during the year ended 31 December 2009 to review the financial results and report of the Company.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the year ended 31 December 2009.

Responsibilities in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 December 2009 directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis. The reporting responsibilities of the Company's independent auditors are set out in the Independent Auditor's Report on pages 19 to 20.

Corporate Governance Report

External Auditors' Remuneration and Reporting

For the year ended 31 December 2009, the remuneration in respect of the services rendered by the Group's external auditors is set out as follows:

Services rendered for the Group	SHINEWING (HK) CPA Limited HK$'000
Audit services	620
Non-audit services (including taxation services, professional services rendered in relation to agreed upon procedures)	15
Total:	635

Investor Relations and Communications

To promote the relationship between the Company and investor and to enhance the transparency of the operation of the enterprise, the Board is committed to providing clear and updated information on the Company to shareholders through the publication of notices, circulars, interim and annual reports to shareholders.

Internal Control

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group.

The management is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

During the year, the Board has implemented certain recommendations proposed by the independent consultant in the review report for the year ended 31 December 2008 according to the timetable. The Board is reviewing the findings and recommendations from the independent consultant for the review for the year ended 31 December 2009.

Independent Auditor's Report

信永中和 ShineWing

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

TO THE MEMBERS OF KONG SUN HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Kong Sun Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 105, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
26 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing Operations			
Turnover	7	**89,953**	–
Cost of sales		**(77,525)**	–
Gross profit		**12,428**	–
Other revenue	9	**7,568**	2,011
Discount on acquisition of subsidiaries	42	**–**	49,820
Fair value change of convertible bonds designated at financial liabilities at fair value through profit or loss		**(21,864)**	53,800
Gain on disposal of subsidiaries	41	**24,433**	–
Share of results of associates	23	**–**	(1,999)
Impairment loss recognised in respect of interests in associates	23	**–**	(91,020)
Distribution and selling expenses		**(1,958)**	–
Administrative expenses		**(20,824)**	(8,184)
Finance costs	10	**(10,523)**	(8,119)
Loss before tax		**(10,740)**	(3,691)
Income tax expense	11	**(1,694)**	–
Loss for the year from continuing operations	12	**(12,434)**	(3,691)
Discontinued Operation			
Profit (loss) for the year from discontinued operation	13	**16**	(39,537)
Loss for the year		**(12,418)**	(43,228)
Loss for the year attributable to			
Owners of the Company		**(12,418)**	(43,227)
Minority interests		**–**	(1)
		(12,418)	(43,228)
Dividends	16	**–**	–
Loss per share	17		
From continuing and discontinued operations			
Basic and diluted		**HK(4.35) cents**	HK(33.55) cents
From continuing operations			
Basic and diluted		**HK(4.36) cents**	HK(2.86) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 **HK$'000**	2008 HK$'000
Loss for the year	**(12,418)**	(43,228)
Exchange differences arising on translation of foreign operations and other comprehensive (expense) income for the year (net of tax)	**(201)**	2,047
Total comprehensive expenses for the year	**(12,619)**	(41,181)
Total comprehensive expenses attributable to		
Owners of the Company	**(12,619)**	(41,180)
Minority interests	**–**	(1)
	(12,619)	(41,181)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	20	**50,315**	45,000
Property, plant and equipment	21	**37,266**	35,438
Prepaid lease payments	22	**14,894**	15,367
Interests in associates	23	**–**	–
Available-for-sale investment	24	**–**	–
		102,475	95,805
Current assets			
Inventories	25	**13,001**	17,832
Trade and bills receivables	26	**3,623**	14,629
Other receivables and prepayments	27	**3,082**	735
Prepaid lease payments	22	**473**	473
Tax recoverable		**126**	–
Loan and interest receivables	28	**–**	–
Consideration receivables	29	**–**	–
Held for trading investments	30	**4,063**	–
Pledged deposits	31	**1,341**	6,809
Bank balances and cash	32	**124,255**	78,202
		149,964	118,680
Current liabilities			
Trade and other payables	33	**10,750**	38,717
Other borrowings	34	**–**	4,784
Tax liabilities		**–**	356
Convertible bonds designated at financial liabilities at fair value through profit or loss	35	**–**	87,200
Promissory notes	36	**–**	12,818
		10,750	143,875
Net current assets (liabilities)		**139,214**	(25,195)
Total assets less current liabilities		**241,689**	70,610

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Convertible bonds designated at financial liabilities at fair value through profit or loss	*35*	**11,600**	8,000
Promissory notes	*36*	**23,130**	21,252
Deferred tax liabilities	*37*	**12,895**	11,200
		47,625	40,452
Net assets		**194,064**	30,158
Capital and reserves			
Share capital	*38*	**83,782**	320,116
Reserves		**110,282**	(289,969)
Equity attributable to owners of the Company		**194,064**	30,147
Minority interests		**–**	11
Total equity		**194,064**	30,158

The financial statements on pages 21 to 105 were approved and authorised for issue by the board of directors on 26 April 2010 and are signed on its behalf by:

Director *Director*

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investments in subsidiaries	18	–	–
Current assets			
Other receivables and prepayments	27	268	338
Amounts due from subsidiaries	19	186,893	163,311
		187,161	163,649
Current liabilities			
Other payables	33	6,417	9,700
Amounts due to subsidiaries	19	–	17,135
Other borrowings	34	–	2,770
Convertible bonds designated at financial liabilities at fair value through profit or loss	35	–	87,200
Promissory notes	36	–	12,818
		6,417	129,623
Net current assets		180,744	34,026
Total asset less current liabilities		180,744	34,026
Non-current liabilities			
Convertible bonds designated at financial liabilities at fair value through profit or loss	35	11,600	8,000
Promissory notes	36	23,130	21,252
		34,730	29,252
Net assets		146,014	4,774
Capital and reserves			
Share capital	38	83,782	320,116
Reserves	38	62,232	(315,342)
Total equity		146,014	4,774

Director *Director*

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2009

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium** *(note 38 (a)(i))* HK$'000	**Capital redemption reserve** *(note 38 (a)(i))* HK$'000	**General reserve** *(note 38 (a)(ii))* HK$'000	**Special reserve** *(note 38 (a)(iii))* HK$'000	**Exchange reserve** *(note 38 (a)(iv))* HK$'000	**(Accumulated losses) Retained earnings** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2008	256,116	329,049	20	18,000	9,329	6,397	(563,584)	55,327	12	55,339
Loss for the year	–	–	–	–	–	–	(43,227)	(43,227)	(1)	(43,228)
Other comprehensive income for the year	–	–	–	–	–	2,047	–	2,047	–	2,047
Total comprehensive expenses for the year	–	–	–	–	–	2,047	(43,227)	(41,180)	(1)	(41,181)
Issue of shares on conversion of convertible bonds	64,000	(48,000)	–	–	–	–	–	16,000	–	16,000
At 31 December 2008 and 1 January 2009	320,116	281,049	20	18,000	9,329	8,444	(606,811)	30,147	11	30,158
Loss for the year	–	–	–	–	–	–	(12,418)	(12,418)	–	(12,418)
Other comprehensive expenses for the year	–	–	–	–	–	(201)	–	(201)	–	(201)
Total comprehensive expenses for the year	–	–	–	–	–	(201)	(12,418)	(12,619)	–	(12,619)
Issue of shares on placing	81,700	–	–	–	–	–	–	81,700	–	81,700
Transaction costs attributable to issue of shares	–	(2,385)	–	–	–	–	–	(2,385)	–	(2,385)
Issue of shares on conversion of convertible bonds	342,040	(236,576)	–	–	–	–	–	105,464	–	105,464
Capital reduction *(note 38)*	(660,074)	63,664	–	–	–	–	596,410	–	–	–
Disposal of subsidiaries	–	–	–	(18,000)	(9,329)	(8,243)	27,329	(8,243)	(11)	(8,254)
At 31 December 2009	83,782	105,752	20	–	–	–	4,510	194,064	–	194,064

Consolidated Statement of Cash Flows

For the Year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before tax – continuing operations	**(10,740)**	(3,691)
Profit (loss) before tax – discontinued operation	**16**	(39,537)
Loss before tax	**(10,724)**	(43,228)
Adjustments for:		
Amortisation of prepaid lease payments	**473**	–
Convertible bonds issue expenses	**–**	3,125
Depreciation of property, plant and equipment	**2,943**	–
Discount on acquisition of subsidiaries	**–**	(49,820)
Fair value change of convertible bonds designated at financial liabilities at fair value through profit or loss	**21,864**	(53,800)
Fair value change of held for trading investments	**1,772**	–
Fair value change of investment properties	**(5,315)**	–
Finance costs	**10,523**	8,119
Gain on disposal of held for trading investments	**(105)**	–
Gain on disposal of subsidiaries	**(24,451)**	–
Impairment loss recognised in respect of interests in associates	**–**	91,020
Impairment loss recognised in respect of loan receivables	**–**	39,510
Impairment loss recognised in respect of other receivables	**–**	390
Interest income	**(261)**	–
Other borrowing waived by the lender	**(261)**	–
Payables waived by the creditors	**(783)**	–
Share of results of associates	**–**	1,999
Operating cash flows before changes in working capital	**(4,325)**	(2,685)
Decrease in inventories	**4,831**	–
Decrease in trade and bills receivables	**11,006**	–
Increase in other receivables and prepayments	**(2,374)**	(71)
Decrease in trade and other payables	**(12,707)**	(166)
Cash used in operations	**(3,569)**	(2,922)
Income tax paid	**(481)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(4,050)**	(2,922)

Consolidated Statement of Cash Flows

For the Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchases of held for trading investments		**(6,482)**	–
Purchases of property, plant and equipment		**(4,771)**	–
Net cash outflows from disposal of subsidiaries	*41*	**(12)**	–
Decrease (increase) in pledged deposits		**5,427**	(6,767)
Proceeds on disposal of held for trading investments		**752**	–
Interest received		**261**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*42*	**–**	21,517
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(4,825)**	14,750
FINANCING ACTIVITIES			
Proceeds from issue of shares on placing		**81,700**	–
Repayments of promissory notes		**(13,445)**	–
Interest paid		**(8,018)**	(19,448)
Repayments of other borrowings		**(2,723)**	(37,639)
Expenses on issue of shares		**(2,385)**	–
Proceeds from issue of convertible bonds		**–**	125,000
Convertible bonds issue expenses paid		**–**	(3,125)
NET CASH FROM FINANCING ACTIVITIES		**55,129**	64,788
NET INCREASE IN CASH AND CASH EQUIVALENTS		**46,254**	76,616
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**78,202**	953
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(201)**	633
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**124,255**	78,202

Notes to the Financial Statements

For the Year ended 31 December 2009

1. General Information

Kong Sun Holdings Limited (the "Company") is a limited company incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

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

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in note 18.

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 or interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("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
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investments 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
HK(IFRIC)-Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Financial Statements

For the Year ended 31 December 2009

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 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.

[7] Effective for annual periods beginning on or after 1 January 2013.

Notes to the Financial Statements

For the Year ended 31 December 2009

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

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

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all 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 might affect the classification and measurement of the Group's financial assets.

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

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

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies

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

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

Basis of consolidation

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

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.

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

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

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

Business combinations

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

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

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Discount on acquisition

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates

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

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

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

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

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

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Revenue recognition

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

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

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

Rental income is recognised on a straight-line basis over the terms of the leases.

Investment properties

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

Property, plant and equipment

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

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

Prepaid lease payments

Prepaid lease payments represent lease prepayments paid or payable for the right to use the land on which various plants and buildings are situated for a definite period, are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of prepaid lease payments is calculated on a straight-line basis over the expected period of the rights.

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Inventories

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

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.

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

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

Borrowing costs

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

Retirement benefit costs

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

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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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.

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in 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.

Financial instruments

Financial assets and financial liabilities are recognised in the statements 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.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale investments. 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.

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") represent held for trading investments.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

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

– it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss 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 (including trade and bills receivables, other receivables, consideration receivables, loan and interest receivables, amounts due from subsidiaries, pledged deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss. (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated the unlisted equity investment as available-for-sale investments.

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, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment loss on financial assets

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

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

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and bills receivables, other receivables, amounts due from subsidiaries, loan and interest receivables and consideration receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

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.

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

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment loss on financial assets (Continued)

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.

Financial liabilities and equity

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

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

Interest expense is recognised on an effective interest basis.

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities at fair value through profit or loss

A financial liability may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement 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.

Convertible bonds

Convertible bonds issued by the Company (including related embedded derivatives) are designated as financial liabilities at FVTPL.

Other financial liabilities

Other financial liabilities including (trade and other payables, amounts due to subsidiaries, other borrowings and promissory notes) are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Notes to the Financial Statements

For the Year ended 31 December 2009

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

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 and the Company have 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.

Impairment losses on tangible assets

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

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

4. Key Sources of Estimation Uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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.

Notes to the Financial Statements

For the Year ended 31 December 2009

4. Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty

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

Estimated impairment loss of trade and bills receivables

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

Fair value of convertible bonds designated at financial liabilities at FVTPL

The fair values of the convertible bonds designated at financial liabilities at FVTPL were calculated using the Binomial Model. The models involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation.

Estimated useful lives of property, plant and equipment

The Group's carrying values of property, plant and equipment as at 31 December 2009 was approximately HK$37,266,000 (2008: HK$35,438,000). The Group depreciates the property, plant and equipment over the shorter of the unexpired term of leases and their estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, at the rate of 6.67 – 20% per annum, commencing from the date the property, plant and equipment is placed into productive use. 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.

Impairment of property, plant and equipment and prepaid lease payments

The impairment loss for property, plant and equipment and prepaid lease payments are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy.

Notes to the Financial Statements

For the Year ended 31 December 2009

4. Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of property, plant and equipment and prepaid lease payments (Continued)

The Group evaluates whether property, plant and equipment and prepaid lease payments have suffer any impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates such as the future revenue and discount rates, taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. The management had reviewed the Group's property, plant and equipment and prepaid lease payments for impairment and valuation report prepared by an independent professional valuer.

Allowances for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

5. Capital Risk Management

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

The capital structure of the Group consists of debts, which included the other borrowings, promissory notes, convertible bonds designated at financial liabilities at FVTPL, pledged deposits, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments

6a) Categories of financial instruments

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
At FVTPL				
– held for trading investments	**4,063**	–	**–**	–
Loan and receivables (including cash and cash equivalents)				
– amounts due from subsidiaries	**–**	–	**186,893**	163,311
– trade and bill receivables	**3,623**	14,629	**–**	–
– other receivables	**259**	398	**51**	337
– pledged deposits	**1,341**	6,809	**–**	–
– bank balances and cash	**124,255**	78,202	**–**	–
	129,478	100,038	**186,944**	163,648
Financial liabilities				
Financial liabilities designated at FVTPL				
– convertible bonds (see below)	**11,600**	95,200	**11,600**	95,200
Other financial liabilities measured at amortised cost				
– promissory notes	**23,130**	34,070	**23,130**	34,070
– trade and other payables	**10,750**	38,717	**6,417**	9,700
– amounts due to subsidiaries	**–**	–	**–**	17,135
– other borrowings	**–**	4,784	**–**	2,770
	33,880	77,571	**29,547**	63,675

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments *(Continued)*

6a) Categories of financial instruments

Financial liabilities designated as at FVTPL

In the management's opinion, the change in the fair value of the financial liabilities is unrepresentative of the change in its credit risk and the exposure is considered as insignificant.

6b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investment, trade and bills receivables, other receivables, loan and interest receivables, consideration receivables, held for trading investments, amounts due from (to) subsidiaries, pledged deposits, bank balances and cash, trade and other payables, other borrowings, convertible bonds designated at financial liabilities at FVTPL and promissory notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

i) Currency risk

Certain pledged deposits, bank balances and trade receivables of the Group and the Company are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The Group's and the Company's exposure to currency risk is minimal as the foreign currencies balances are insignificant.

ii) Interest rate risk

As at 31 December 2009, the Group's exposure to cash flow interest rate risk is minimal as the Group's interest bearing other borrowings have been disposed together with the disposal of subsidiaries during the year (see note 41 for details). The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate convertible bonds designated at financial liabilities at FVTPL and promissory notes.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged deposits and bank balances (see notes 31 and 32 for details) for the year ended 31 December 2009 and 2008. The Group's exposure to interest rate risk is minimal as the pledged bank deposits and bank balances have a short maturity period.

The Group currently does not have any interest rate hedging policy.

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments *(Continued)*

6b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on equity instruments listed in Hong Kong.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2008: nil) higher/lower, the Group's loss for the year ended 31 December 2009 would decrease/increase by approximately HK$406,000 (2008: nil) as a result of the changes in fair value of held for trading investments.

Credit risk

As at 31 December 2009, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group or the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group's concentration of credit risk by geographical locations in mainly in The United States of America, which accounted for 97% (2008: 98%) of the total trade and bills receivables as at 31 December 2009.

The Group has concentration of credit risk as 95% (2008: 98%) and 99% (2008: 100%) of total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively within the manufacturing and sales of life-like plants segment as at 31 December 2009.

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments *(Continued)*

6b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

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

Maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The Group

As at 31 December 2009

	On demand/ within one year HK$'000	**One to two years HK$'000**	**More than two years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Trade and other payables	**10,750**	**–**	**–**	**10,750**	**10,750**
Convertible bonds designated at financial liabilities at FVTPL	**1,600**	**41,600**	**–**	**43,200**	**11,600**
Promissory notes	**1,014**	**1,014**	**35,828**	**37,856**	**23,130**
	13,364	**42,614**	**35,828**	**91,806**	**45,480**

As at 31 December 2008

	On demand/ within one year HK$'000	One to two years HK$'000	More than two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	38,717	–	–	38,717	38,717
Other borrowings	4,784	–	–	4,784	4,784
Convertible bonds designated at financial liabilities at FVTPL	14,680	10,320	154,960	179,960	95,200
Promissory notes	14,773	1,014	36,842	52,629	34,070
	72,954	11,334	191,802	276,090	172,771

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments *(Continued)*

6b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Maturity analysis *(Continued)*

The Company

As at 31 December 2009

	On demand/ within one year HK$'000	One to two years HK$'000	More than two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	**6,417**	**–**	**–**	**6,417**	**6,417**
Convertible bonds designated at financial liabilities at FVTPL	**1,600**	**41,600**	**–**	**43,200**	**11,600**
Promissory notes	**1,014**	**1,014**	**35,828**	**37,856**	**23,130**
	9,031	**42,614**	**35,828**	**87,473**	**41,147**

As at 31 December 2008

	On demand/ within one year HK$'000	One to two years HK$'000	More than two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables	9,700	–	–	9,700	9,700
Amounts due to subsidiaries	17,135	–	–	17,135	17,135
Other borrowings	2,770	–	–	2,770	2,770
Convertible bonds designated at financial liabilities at FVTPL	14,680	10,320	154,960	179,960	95,200
Promissory notes	14,773	1,014	36,842	52,629	34,070
	59,058	11,334	191,802	262,194	158,875

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments *(Continued)*

6c) Fair value

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

– the fair value of financial assets and financial liabilities (excluding derivatives instruments) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

– the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

In the opinion of the directors of the Company, the carrying amounts of financial assets and financial liabilities reported in the statements of financial position of the Group and the Company approximate their fair values due to their immediate or short-term maturities.

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

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

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

Notes to the Financial Statements

For the Year ended 31 December 2009

6. Financial Instruments *(Continued)*

6c) Fair value *(Continued)*

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

	At 31 December 2009		
	Level 1	**Level 2**	**Total**
	HK$'000	HK$'000	HK$'000
The Group			
Financial assets at FVTPL			
Held for trading investments	4,063	–	4,063
The Group and the Company			
Financial liabilities at FVTPL			
Convertible bonds designated at financial liabilities at FVTPL	–	11,600	11,600

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

Of the total gains or losses for the year included in profit or loss, approximately HK$1,772,000 relates to non-derivative held for trading investments held at the end of the reporting period. Fair value gains or losses on non-derivative held for trading investments are included in 'administrative expenses'.

Significant assumptions used in determining fair value of financial liabilities

Convertible bonds

The fair value of the convertible bonds designated at financial liabilities at FVTPL is determined assuming whenever it is optimum to exercise both the Company's redemption option and the convertible bonds holders' conversion options, the Company will have the priority to exercise its redemption option before the convertible bonds holders exercise their conversion options. Under the above assumption, the fair values of the convertible bonds would not exceed their principal values immediately before the convertible bonds holders exercise their conversion options.

Notes to the Financial Statements

For the Year ended 31 December 2009

7. Turnover

Turnover represents revenue arising on sale of life-like plants and rental income for the year. An analysis of the Group's turnover for the year from continuing operations is as follows:

	2009	2008
	HK$'000	HK$'000
Sales of life-like plants	**88,268**	–
Properties rental income	**1,685**	–
	89,953	–

The direct operating expenses from investment properties that generated rental income amounted to approximately HK$184,000 (2008: nil) for the year ended 31 December 2009.

8. Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group is organised into two (2008: three) reportable operating segments. The reportable operating segments and their principal activities are as follows:

(a) Properties investment and development

(b) Manufacturing and sales of life-like plants

(c) Financial services (discontinued during the year ended 31 December 2009)

The Group was involved in the rendering of financial services, which was reported as a separate business segment under HKAS 14. That operation was discontinued with effect from 30 November 2009 (note 13).

Notes to the Financial Statements

For the Year ended 31 December 2009

8. Segment Information *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2009

	Properties investment and development HK$'000	Manufacturing and sales of life-like plants HK$'000	Total HK$'000
Segment revenue	1,685	88,268	89,953
Segment profit (loss)	1,218	(2,848)	(1,630)
Fair value change of convertible bonds designated at financial liabilities at FVTPL			(21,864)
Gain on disposal of subsidiaries			24,433
Fair value change of investment properties			5,315
Fair value change of held for trading investments			(1,772)
Unallocated corporate operating income			1,278
Unallocated corporate operating expenses			(5,977)
Finance costs			(10,523)
Loss before tax (continuing operations)			(10,740)

Notes to the Financial Statements

For the Year ended 31 December 2009

8. Segment Information *(Continued)*

For the year ended 31 December 2008

	Properties investment and development HK$'000	Manufacturing and sales of life-like plants HK$'000	Total HK$'000
Segment revenue	–	–	–
Segment loss	(501)	–	(501)
Discount on acquisition of subsidiaries			49,820
Impairment loss recognised in respect of interests in associates			(91,020)
Fair value change of convertible bonds designated at financial liabilities at FVTPL			53,800
Unallocated corporate operating income			2,011
Unallocated corporate operating expenses			(7,683)
Finance costs			(8,119)
Share of results of associates			(1,999)
Loss before tax (continuing operations)			(3,691)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, certain interest income, directors' salaries, fair value change of convertible bonds designated at financial liabilities at FVTPL, fair value change of held of trading investments and finance costs.

Notes to the Financial Statements

For the Year ended 31 December 2009

8. Segment Information *(Continued)*

Segment assets and liabilities

	2009 **HK$'000**	2008 HK$'000
Segment assets		
Continuing operations:		
Properties investment and development	**51,340**	45,715
Manufacturing and sales of life-like plants	**92,473**	104,953
Total segment assets	**143,813**	150,668
Assets relating to discontinued operation	**–**	1
Unallocated corporate assets	**108,626**	63,816
Consolidated assets	**252,439**	214,485

	2009 **HK$'000**	2008 HK$'000
Segment liabilities		
Continuing operations:		
Properties investment and development	**402**	12,310
Manufacturing and sales of life-like plants	**3,906**	13,507
Total segment liabilities	**4,308**	25,817
Liabilities relating to discontinued operation	**–**	19
Unallocated corporate liabilities	**54,067**	158,491
Consolidated liabilities	**58,375**	184,327

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

– As at 31 December 2009, all assets are allocated to reportable segments other than certain other receivables and prepayments, tax recoverable, held for trading investments and certain bank balances and cash as these assets are managed on a group basis.

– As at 31 December 2009, all liabilities are allocated to reportable segments other than certain other payables, current and deferred tax liabilities, convertible bonds designated at financial liabilities at FVTPL and promissory notes as these liabilities are managed on a group basis.

Notes to the Financial Statements

For the Year ended 31 December 2009

8. Segment Information *(Continued)*

Other segment information

For the year ended 31 December 2009

	Continuing operations		Discontinued operation		
	Properties investment and development HK$'000	Manufacturing and sales of life-like plants HK$'000	Financial services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure	63	4,708	–	–	4,771
Amortisation of prepaid lease payments	–	473	–	–	473
Depreciation of property, plant and equipment	108	2,835	–	–	2,943
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Fair value change of investment properties	(5,315)	–	–	–	(5,315)
Interest income	–	(20)	–	(241)	(261)
Finance costs	–	–	–	10,523	10,523
Income tax expense	–	–	–	1,694	1,694
Fair value change of held for trading investments	–	–	–	1,772	1,772
Gain on disposal of held for trading investments	–	–	–	(105)	(105)

Notes to the Financial Statements

For the Year ended 31 December 2009

8. Segment Information *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2008

	Continuing operations		Discontinued operation		
	Properties investment and development HK$'000	Manufacturing and sales of life-like plants HK$'000	Financial services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital expenditure through acquisition of subsidiaries	45,491	50,787	–	–	96,278
Impairment loss recognised in respect of other receivables	390	–	–	–	390
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Discount on acquisition of subsidiaries	(18,162)	(31,658)	–	–	(49,820)
Impairment loss recognised in respect of interests in associates	91,020	–	–	–	91,020
Impairment loss in respect of loan receivables	–	–	39,510	–	39,510
Share of results of associates	1,999	–	–	–	1,999
Finance costs	–	–	–	8,119	8,119

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Revenue from major product and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	Year ended 31 December	
	2009 HK$'000	2008 HK$'000
Christmas tree	**88,268**	–
Office building rental	**1,685**	–
	89,953	–

Notes to the Financial Statements

For the Year ended 31 December 2009

8. Segment Information *(Continued)*

Geographical information

The Group's operations are located on Hong Kong (place of domicile), the People's Republic of China (the "PRC"), United States of America (the "USA") and other countries.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended		Non-current assets As at	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**2,961**	–	**50,761**	45,491
PRC	**–**	–	**51,714**	50,314
USA	**82,721**	–	**–**	–
Others	**4,271**	–	**–**	–
	89,953	–	**102,475**	95,805

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Customer A	**81,232**	N/A

All revenue generated from the major customers relate to the sale of life-like plants. Customer A has not contributed over 10% of the total sales of the Group during the year ended 31 December 2008.

Notes to the Financial Statements

For the Year ended 31 December 2009

9. Other Revenue

	2009 HK$'000	2008 HK$'000
Continuing operations		
Fair value change of investment properties	**5,315**	–
Payables waived by creditors	**783**	–
Other borrowing waived by lender	**261**	–
Interest income	**261**	–
Gain on disposal of held for trading investments	**105**	–
Sundry income	**843**	2,011
	7,568	2,011

10. Finance Costs

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest on convertible bonds designated at financial liabilities at FVTPL	**6,552**	–
Interest on promissory notes	**3,798**	188
Interest on other borrowings wholly repayable within five years	**173**	7,931
	10,523	8,119

Notes to the Financial Statements

For the Year ended 31 December 2009

11. Income Tax Expense

Continuing operations

	2009 **HK$'000**	2008 HK$'000
(Over) under provision of current tax in prior years:		
Hong Kong Profits Tax	**126**	–
PRC Enterprise Income Tax	**(127)**	–
	(1)	–
Deferred tax *(note 37)*:		
Current year	**1,695**	–
	1,694	–

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 and 2008 as the Group did not generate any assessable profits in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. No provision for Enterprise Income Tax has been made as the PRC subsidiary has no assessable profits arising from their jurisdictions for the two years ended 31 December 2009 and 2008.

Notes to the Financial Statements

For the Year ended 31 December 2009

11. Income Tax Expense *(Continued)*

The tax charge for the years can be reconciled to the loss before tax per the consolidated income statement as follow:

	2009 HK$'000	2008 HK$'000
Loss before tax (from continuing operations)	**(10,740)**	(3,691)
Tax at the domestic income tax rate at 16.5% (2008: 16.5%)	**(1,772)**	(609)
Tax effect of income not taxable for tax purpose	**(4,151)**	(17,395)
Tax effect of expenses not deductible for tax purpose	**6,496**	15,174
Tax effect of tax loss not recognised	**1,885**	2,877
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(601)**	(47)
Utilisation of tax losses previously not recognised	**(162)**	–
Over provision in prior years	**(1)**	–
Income tax expense	**1,694**	–

Details of the deferred tax liabilities are set out in note 37.

Notes to the Financial Statements

For the Year ended 31 December 2009

12. Loss for the Year

Loss for the year has been arrived at after charging:

	2009 **HK$'000**	2008 HK$'000
Continuing operations		
Auditors' remuneration	**620**	653
Staff costs:		
Directors' remuneration *(note 14)*	**355**	814
Wages, salaries and other benefits	**9,621**	300
Retirement benefit costs (excluding directors)	**326**	–
Total staff costs	**10,302**	1,114
Convertible bonds issue expenses	**–**	3,125
Cost of inventories recognised as an expense	**77,525**	–
Fair value change of held for trading investments	**1,772**	–
Amortisation of prepaid lease payments	**473**	–
Depreciation of property, plant and equipment	**2,943**	–
Impairment loss recognised in respect of other receivables	**–**	390
Operating lease rental on rented premises	**536**	208
Net foreign exchange losses	**525**	–

13. Discontinued Operation

During the year ended 31 December 2009, the Group entered into an agreement to dispose of its 100% interest in Pacpo Investments Limited ("Pacpo Investments"), which carried out of the Group's financial services operation. The disposal was effected for the management of the Group to focus on the Group's other more profitable businesses. The disposal was completed on 30 November 2009 on which date control of Pacpo Investments passed to the acquirer.

Notes to the Financial Statements

For the Year ended 31 December 2009

13. Discontinued Operation *(Continued)*

The (profit) loss for the year from the discontinued operation is analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Loss of financial services operation for the year	**2**	39,537
Gain on disposal of financial services operation *(note 41)*	**(18)**	–
	(16)	39,537

The results of the financial services operation for the period from 1 January 2009 to 30 November 2009, which have been included in the consolidated income statement, were as follows:

	Period ended 30 November 2009 **HK$'000**	Year ended 31 December 2008 HK$'000
Turnover	**–**	–
Impairment loss recognised in respect of loan receivables	**–**	(39,510)
Administrative expenses	**(2)**	(27)
Loss before tax	**(2)**	(39,537)
Income tax expense	**–**	–
Loss for the period/year	**(2)**	(39,537)

No charge or credit arose on gain on discontinuance of the operations.

During the year, no cash flows has been generated in Pacpo Investments (2008: nil).

The carrying amounts of the assets and liabilities of Pacpo Investments at the date of disposal are disclosed in note 41.

Notes to the Financial Statements

For the Year ended 31 December 2009

14. Directors' Remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is stated as follows:

For the year ended 31 December 2009

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors:				
Tse On Kin	60	–	–	60
Yu Pak Yan, Peter	60	–	–	60
Chan Chi Yuen (resigned on 30 November 2009)	55	–	–	55
Independent non-executive directors:				
Wong Yun Kuen	60	–	–	60
Lau Man Tak	60	–	–	60
Man Kwok Leung (appointed on 2 June 2009)	35	–	–	35
Lo Miu Sheung, Betty (retired on 2 June 2009)	25	–	–	25
	355	–	–	355

Notes to the Financial Statements

For the Year ended 31 December 2009

14. Directors' Remuneration *(Continued)*

For the year ended 31 December 2008

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors:				
Tse On Kin (appointed on 20 April 2007)	102	–	–	102
Kong Li Szu (resigned on 1 October 2008)	–	–	–	–
Chan Chi Yuen (appointed on 15 February 2007)	480	–	–	480
Yu Pak Yan, Peter (appointed on 1 August 2008)	25	–	–	25
Independent non-executive directors:				
Lo Miu Sheung, Betty (appointed on 15 February 2007)	60	–	–	60
Wong Yun Kuen (appointed on 20 April 2007)	60	–	–	60
Chan Chiu Hung (resigned on 1 September 2008)	67	–	–	67
Lau Man Tak (appointed on 1 September 2008)	20	–	–	20
	814	–	–	814

No emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office for two years ended 31 December 2009 and 2008.

No director waived or agreed to waive his emoluments in the two years ended 31 December 2009 and 2008.

Notes to the Financial Statements

For the Year ended 31 December 2009

15. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: four) were directors of the Company whose remunerations are included in note 14 above. The emoluments of the remaining one individual (2008: one individual) are as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries, allowances and benefits in kind	**354**	300
Retirement benefit costs	**–**	–
	354	300

His emolument was within the following bands:

	Number of individuals	
	2009	2008
Nil – HK$1,000,000	**1**	1

For the two years ended 31 December 2009 and 2008, no emoluments were paid by the Group to the five highest paid individuals (including directors and other employees) as an inducement to join or upon joining the Group, or as a compensation for loss of office.

16. Dividend

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

Notes to the Financial Statements

For the Year ended 31 December 2009

17. Loss per Share

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2009 HK$'000	2008 HK$'000
Loss		
Loss for the purpose of basic loss per share	**(12,418)**	(43,227)

Number of Shares

	2009 '000	2008 '000 (Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**285,324**	128,847

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2009 and 2008 have been adjusted for the consolidation of shares on 10 December 2009 (note 38).

From continuing operations

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

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to owners of the Company	**(12,418)**	(43,227)
Less: (Profit) loss for the year from discontinued operation	**(16)**	39,537
Losses for the purpose of basic losses per share from continuing operations	**(12,434)**	(3,690)

Notes to the Financial Statements

For the Year ended 31 December 2009

17. Loss per Share *(Continued)*

From discontinued operation

Basic earnings per share for the discontinued operation is HK0.01 cents per share (2008 as restated: loss per share of HK30.69 cents) based on the profit for the year from the discontinued operation of approximately HK$16,000 (2008: loss of approximately HK$39,537,000) and the denominators detailed above for basic and diluted earnings (loss) per share.

Diluted earnings (loss) per share for both years ended 31 December 2009 and 2008 are same as basic earnings (loss) per shares as the effect of the conversion of the Company's convertible bonds were anti-dilutive.

18. Investments in Subsidiaries

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**5,000**	5,000
Less: impairment loss	**(5,000)**	(5,000)
	–	–

(a) Impairment loss recognised in respect of investments in subsidiaries

The amount of approximately HK$5,000,000 (2008: HK$5,000,000) mainly represents the investment cost in a subsidiary, namely Peace Hill Securities Company Limited ("Peace Hill"). As at 31 December 2008, the main assets of Peace Hill are the investments in a subsidiary, namely Dual Aim Sdn. Bhd. that has been disposed together with the disposal of Healthy Profit Enterprises Limited and its subsidiaries ("Health Profit Group") during the year ended 31 December 2009. The directors are of the view that Peace Hill would not have any value to the Company and the carrying amount of the investment in Peace Hill is fully impaired.

Notes to the Financial Statements

For the Year ended 31 December 2009

18. Investments in Subsidiaries *(Continued)*

(b) The following list contains only the particulars of subsidiaries which in the opinion of the directors, those subsidiaries principally affect the results, assets and liabilities of the Group as at 31 December 2009. To give details of other subsidiaries would in the opinion of the directors, result in particulars of excessive length. The class of shares held is ordinary unless otherwise stated. There are no change in effective interests in the below subsidiaries during the year ended 31 December 2009.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Proportion of nominal value of issued and paid up capital: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Coast Holdings Ltd.	Hong Kong	100,000 shares of HK$1 each	100%	–	100%	Properties investment
Dongguan United Art Plastic Products Ltd	PRC	HK$49,000,000 (RMB55,066,200)	100%	–	100%	Manufacturing and sale of decorative products
FT Far East Ltd.	Hong Kong	2 shares of HK$1 each	100%	–	100%	Trading of Christmas trees, decorative plants, silk decorative flowers and other decorative products.
FT China Ltd.	Hong Kong	2 shares of HK$1 each	100%	–	100%	Investment holding
Kingston Property Investment Ltd.	Hong Kong	20,000 shares of HK$1 each	100%	–	100%	Properties investment
Peace Hill	Hong Kong	5,000,000 shares of HK$1 each	100%	100%	–	Investment holding
Star Wave Investments Limited	Hong Kong	1 share of HK$1 each	100%	100%	–	Inactive

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

Notes to the Financial Statements

For the Year ended 31 December 2009

19. Amounts due from (to) Subsidiaries

	The Company	
	2009	2008
	HK$'000	HK$'000
Amounts due from subsidiaries	**257,187**	762,284
Less: Impairment loss recognised	**(70,294)**	(598,973)
	186,893	163,311
Amounts due to subsidiaries	**–**	(17,135)

(a) The amounts due from (to) subsidiaries were unsecured, interest-free and repayable on demand. The amounts due to subsidiaries have been settled during the year.

In view of the uncertainty of the recovery of the outstanding balance in those subsidiaries which sustained losses and had poor operating performance and that the subsidiaries were not financially capable of repaying to the Company, the directors concluded that it is appropriate to make an impairment loss on the amounts due from subsidiaries. As at 31 December 2009, there is accumulated impairment loss of approximately HK$70,294,000 (2008: HK$598,973,000) recognised on the amounts due from subsidiaries, after considering the profitability, financial positions, cash flows and future prospects of these subsidiaries, and certain key assumptions. Further details are set out in note 19 (b).

(b) Movements of impairment losses recognised in respect of amounts due from subsidiaries are analysed as follows:

	The Company	
	2009	2008
	HK$'000	HK$'000
At 1 January	**598,973**	522,497
Disposal of subsidiaries	**(580,741)**	–
Impairment loss recognised during the year	**52,062**	76,476
At 31 December	**70,294**	598,973

Notes to the Financial Statements

For the Year ended 31 December 2009

19. Amounts due from (to) Subsidiaries *(Continued)*

(b) *(Continued)*

The operating performance of the subsidiaries was unsatisfactory due to intense competition. In the opinion of the directors it is uncertain that sufficient cash flows would be generated by the subsidiaries in the foreseeable future as the subsidiaries suffered financial difficulties and sustained loss. The directors of the Company concluded that it is appropriate to make an impairment loss on the amounts due from subsidiaries. As at 31 December 2009, the directors consider that the accumulated impairment losses of approximately HK$70,294,000 (2008: HK$598,973,000) are sufficient.

20. Investment Properties

	The Group	
	2009	2008
	HK$'000	HK$'000
Investment properties, stated at fair value		
At 1 January	**45,000**	–
Acquired on acquisition of subsidiaries	**–**	45,000
Net increase in fair value recognised in profit or loss	**5,315**	–
At 31 December	**50,315**	45,000

The investment properties of the Group are situated in Hong Kong and held under long-term leases.

The fair value of the Group's investment properties at 31 December 2009 have been arrived at on the basis of a valuation carried out on that day by Grant Sherman Appraisal Limited, independent qualified professional valuers not connected with the Group. Grant Sherman Appraisal Limited has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The Group leases out certain investment properties under operating leases, for an initial period of 1 to 2 years, with an option to renew on renegotiated terms.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Financial Statements

For the Year ended 31 December 2009

21. Property, Plant and Equipment

The Group

	Buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture fixtures and equipment HK$'000	Total HK$'000
COST					
Acquired on acquisition of subsidiaries and at 31 December 2008	28,215	1,521	5,535	167	35,438
Additions	–	4,686	22	63	4,771
At 31 December 2009	28,215	6,207	5,557	230	40,209
DEPRECIATION					
At 1 January 2008 and 31 December 2008	–	–	–	–	–
Charged for the year	940	1,165	736	102	2,943
At 31 December 2009	940	1,165	736	102	2,943
CARRYING VALUES					
At 31 December 2009	27,275	5,042	4,821	128	37,266
At 31 December 2008	28,215	1,521	5,535	167	35,438

Buildings situated on leasehold land outside Hong Kong that under medium-term lease are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years. The other items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	6.67%
Furniture, fixtures and equipment	20%
Leasehold improvement	Over the shorter of the term of the lease or 5 years

Notes to the Financial Statements

For the Year ended 31 December 2009

22. Prepaid Lease Payments

The Group

The prepaid lease payments represent leasehold land outside Hong Kong held under medium-term leases and analysed for reporting purpose as:

	2009	2008
	HK$'000	HK$'000
Non-current asset	**14,894**	15,367
Current asset	**473**	473
	15,367	15,840

23. Interests in Associates

	The Group	
	2009	2008
	HK$'000	HK$'000
Cost of investments in unlisted associates	**–**	93,468
Share of post-acquisition results, net of dividends received	**–**	(4,261)
Exchange realignments	**–**	1,813
	–	91,020
Impairment loss recognised in respect of interests in associates *(note (c))*	**–**	(91,020)
	–	–

During the year ended 31 December 2009, the Group has disposed of its associates together with the disposal of Pacpo Hong Kong Company Limited and its subsidiaries ("Pacpo HK Group") (note 41). As at 31 December 2008, included in the costs of investments in associates is a goodwill of approximately HK$14,568,000 arising on acquisition of an associate in prior years.

Notes to the Financial Statements

For the Year ended 31 December 2009

23. Interests in Associates *(Continued)*

Notes:

(a) Details of the Group's interests in associates as at 31 December 2008 were as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Class of share held	Proportion of nominal value of issued capital and paid up capital: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
United Victoria Sdn. Bhd. ("United Victoria")	Incorporated	Malaysia	Ordinary shares	50% *(note)*	–	50%	Investment holding
Aset Nusantara Development Sdn. Bhd. ("Aset Nusantara")	Incorporated	Malaysia	Ordinary shares	21%	–	42%	Property development

Note:

The Group held 50% of the issued share capital of United Victoria. However, under a shareholders' agreement, the other shareholders controls the composition of the board of directors of United Victoria and therefore the Group did not control United Victoria. The directors of the Company consider that the Group did exercise significant influence over United Victoria and it was therefore classified as an associate of the Group.

(b) The summarised unaudited financial information for the period from 1 January 2009 to 30 November 2009 (the date of disposal) and for the year ended 31 December 2008 in respect of the Group's associates is set out below:

	As at 30 November 2009 HK$'000	As at 31 December 2008 HK$'000
Total assets	**620,546**	620,546
Total liabilities	**(387,994)**	(387,994)
Net assets	**232,552**	232,552
Group's share of net assets of associates	**48,143**	48,143

Notes to the Financial Statements

For the Year ended 31 December 2009

23. Interests in Associates *(Continued)*

Notes: (Continued)

(b) *(Continued)*

	For the period from 1 January 2009 to 30 November 2009 HK$'000	Year ended 31 December 2008 HK$'000
Revenue	–	–
Loss for the period/year	–	(9,517)
Group's share of loss of associates for the period/year	–	(1,999)

(c) Impairment on interest in associates

During the year ended 31 December 2008, directors of the Company conducted a review on the Group's interest in associates and determined to fully impair the interest in associates amounted to approximately HK$91,020,000.

As at the date of disposal, the directors concluded the accumulated impairment losses made on the interests in associates of the Group of approximately HK$91,020,000 (2008: HK$91,020,000) is adequate in view of it was unlikely that the associates will generate any cash flow and dividend yield towards the Group in the foreseeable future.

Notes to the Financial Statements

For the Year ended 31 December 2009

24. Available-for-sale Investment

	The Group	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	6,537
Less: Impairment loss recognised	**–**	(6,537)
	–	–

During the year ended 31 December 2009, the Group has disposed its available-for-sales investment together with the disposal of the Healthy Profit Group (note 41).

As at 31 December 2008, the Group's available-for-sale investment represents 5% equity interest in Pioneer Heritage Sdn. Bhd. ("Pioneer Heritage"), a private company incorporated in Malaysia having issued share capital of Malaysian Ringgit ("MYR") of MYR50,000,000. Pioneer Heritage is principally engaged in property holding in Malaysia. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

25. Inventories

	The Group	
	2009	2008
	HK$'000	HK$'000
Raw Materials	**11,126**	15,602
Work in Progress	**1,383**	1,930
Finished goods	**492**	300
	13,001	17,832

Notes to the Financial Statements

For the Year ended 31 December 2009

26. Trade and Bills Receivables

	The Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**3,623**	9,946
Bill receivables	**–**	4,683
	3,623	14,629
Less: allowance for doubtful debts	**–**	–
	3,623	14,629

The Group allows a credit period normally ranging from 0 day to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented on the invoice date at the reporting date.

	The Group	
	2009	2008
	HK$'000	HK$'000
1-30 Days	**182**	4,131
31-90 Days	**1,342**	2,580
91-180 Days	**2,041**	7,875
181-360 Days	**–**	8
1-2 years	**29**	30
Over 2 years	**29**	5
	3,623	14,629

Notes to the Financial Statements

For the Year ended 31 December 2009

26. Trade and Bills Receivables *(Continued)*

The aging analysis of trade receivables that are past due but not impaired is as follow:

	The Group	
	2009	2008
	HK$'000	HK$'000
1-30 Days	**117**	97
31-90 Days	**10**	1,931
91-180 Days	**2,041**	7,875
181-360 Days	**–**	8
1 to 2 years	**29**	30
Over 2 years	**29**	5
Total	**2,226**	9,946

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The movement in the impairment of trade receivables is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**–**	14,937
Amount written-off	**–**	(14,937)
At 31 December	**–**	–

Receivables of approximately HK$1,397,000 (2008: HK$4,683,000) that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

The Group's trade receivables that are denominated in currencies other than the functional currency of the relevant group entities before the impairment loss recognised are as follows:

	2009	2008
	'000	'000
United States dollars	**452**	1,883

Notes to the Financial Statements

For the Year ended 31 December 2009

27. Other Receivables and Prepayments

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**11**	207	**–**	–
Prepayments and deposits	**3,071**	528	**268**	338
Amount due from an associate *(note (a))*	**–**	369	**–**	–
	3,082	1,104	**268**	338
Less: Impairment loss recognised *(note (b))*	**–**	(369)	**–**	–
	3,082	735	**268**	338

(a) Amount due from an associate

The amount due from Aset Nusantara is unsecured, interest-free and is payable on demand. The amount due from an associate has been disposed during the year ended 31 December 2009 together with the disposal of Pacpo HK Group (note 41).

(b) Impairment loss

Movements of impairment losses are analysed as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**369**	4,615
Amount written-off	**–**	(4,615)
Impairment loss recognised in respect of other receivable	**–**	390
Exchange realignment	**7**	(21)
Disposal of subsidiaries	**(376)**	–
At 31 December	**–**	369

As at 31 December 2008 and at the date of disposal of Pacpo HK Group, the amount due from an associate were fully impaired as the directors of the Company are in the opinion that the recoverable amount of the amount due from an associate are uncertain due to the prolong ageing and without any settlement for years.

Notes to the Financial Statements

For the Year ended 31 December 2009

28. Loan and Interest Receivables

	The Group	
	2009	2008
	HK$'000	HK$'000
Loan receivables		
Secured		
– amount due from a shareholder of an associate *(note (a))*	–	39,510
Unsecured		
– amounts due from others *(note (b))*	–	49,683
Gross loan receivables	–	89,193
Less: Impairment loss recognised	–	(89,193)
Net loan receivables	–	–
Interest receivables		
Secured loan receivables		
– amount due from a shareholder of an associate *(note (a))*	–	5,358
Unsecured loan receivables		
– amounts due from others *(note (b))*	–	4,526
Gross interest receivables	–	9,884
Less: Impairment loss recognised	–	(9,884)
Net interest receivables	–	–
	–	–

Notes to the Financial Statements

For the Year ended 31 December 2009

28. Loan and Interest Receivables *(Continued)*

Notes:

(a) *Secured loans and interest receivables*

Amount due from a shareholder of an associate

At 31 December 2008, the Group had a loan receivable of approximately HK$39,510,000 and a loan interest receivable of approximately HK$5,358,000 due from a shareholder of United Victoria (the "Borrower"). Pursuant to the loan agreement, interest is charged at 4% over prime rate per annum. The loan is secured by, as collateral, a pledge of the 20% equity interest in United Victoria owned by the Borrower. The loan receivable has been disposed during the year ended 31 December 2009 together with the disposal of subsidiaries (note 41).

As at 31 December 2008 and at the date of disposal of subsidiaries, the directors of the Company are of the opinion that the recoverability of the outstanding balance is uncertain due to the prolong ageing and without any settlement for years. Accordingly, the directors of the Company are of the opinion that the accumulated impairment losses of approximately HK$39,510,000 at the respective dates were adequate.

(b) *Unsecured loan and interest receivables*

Amounts due from others

As at 31 December 2008, the Group had loan receivables of approximately HK$49,683,000 and interest receivables of approximately HK$4,526,000 due from independent third parties. The loan receivable has been disposed during the year ended 31 December 2009 together with the disposal of subsidiaries (note 41).

As at 31 December 2008 and at the date of disposal of subsidiaries, the directors of the Company concluded that the accumulated impairment losses made on the loan receivables of approximately HK$49,683,000 and on interest receivables of approximately HK$4,526,000 of the Group at the respective dates are adequate, in view of the uncertainty of the recovery of the outstanding balances in that there was default in repayment of the outstanding balance which is unsecured and that the Group lost contact with the debtors.

Notes to the Financial Statements

For the Year ended 31 December 2009

28. Loan and Interest Receivables *(Continued)*

Notes: (Continued)

(c) Movements of impairment losses recognised in respect of loan and interest receivables are analysed as follows:

	2009 HK$'000	2008 HK$'000
Loan receivables		
At 1 January	**89,193**	49,683
Impairment loss recognised	**–**	39,510
Disposal of subsidiaries	**(89,193)**	–
At 31 December	**–**	89,193
Interest receivables		
At 1 January	**9,884**	9,884
Disposal of subsidiaries	**(9,884)**	–
At 31 December	**–**	9,884

29. Consideration Receivables

	The Group	
	2009 HK$'000	2008 HK$'000
Net proceeds on disposal of:		
Subsidiaries		
Pioneer Heritage – amount due from Pioneer Heritage *(note (a))*	**–**	7,609
Less: Impairment loss recognised	**–**	(7,609)
	–	–

Notes to the Financial Statements

For the Year ended 31 December 2009

29. Consideration Receivables *(Continued)*

(a) Disposal of 65% interest in Pioneer Heritage, a subsidiary, and amount due from Pioneer Heritage

As at 31 December 2008, the amount of approximately HK$7,609,000 represented amount due from Pioneer Heritage, an investee company of the Group, representing the outstanding net consideration receivable on disposal of 65% equity interest in Pioneer Heritage pursuant to a disposal agreement entered in year 2003. The consideration receivable has been disposed during the year ended 31 December 2009 together with the disposal of subsidiaries (note 41).

In view of the uncertainty of the recovery of the outstanding balance, the directors of the Company made a full impairment on the outstanding net consideration receivables of approximately HK$7,609,000. The impairment of approximately HK$7,609,000 on the consideration receivable was firstly recognised in 2004 as over the years the Group and Pioneer Heritage were unable to reach a consensus on the terms and schedule of repayment and that the amount under consideration was overdue. Pioneer Heritage claimed that it was currently in liquidity problem and was short of cash and/or current assets to repay the debts. As at 31 December 2008 and at the date of disposal of subsidiaries, the directors of the Company are of the opinion that the accumulated impairment losses of approximately HK$7,609,000 were adequate.

(b) Movements of impairment losses are analysed as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**7,609**	7,609
Disposal of subsidiaries	**(7,609)**	–
At 31 December	**–**	7,609

30. Held for Trading Investments

	The Group	
	2009	2008
	HK$'000	HK$'000
Held for trading investments include:		
Equity securities listed in Hong Kong, at fair value	**4,063**	–

Notes to the Financial Statements

For the Year ended 31 December 2009

31. Pledged Deposits

The Group

As at 31 December 2009, bank deposits of approximately HK$1,341,000 (2008: HK$1,165,000) has been pledged to the PRC customs authorities. The maturity date of the pledged deposits are within one year from the end of the reporting period. As at 31 December 2009, the Group did not have any bank deposit pledged to secure undrawn facility (2008: HK$5,604,000) nor pledged for issuance of guarantee letter for constructions (2008: HK$40,000).

Included in pledged deposits are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	The Group	
	2009	2008
	'000	'000
Amounts denominated in:		
Renminbi ("RMB")	**1,200**	1,059
MYR	**–**	18

The pledged bank deposits carry fixed interest rates at 0.36% per annum (2008: ranging from 0.36% to 3.88% per annum).

32. Bank Balances and Cash

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

	The Group	
	2009	2008
	'000	'000
Amounts denominated in:		
RMB	**224**	131

Bank balances carries interest at prevailing market rate for both years.

Notes to the Financial Statements

For the Year ended 31 December 2009

33. Trade and Other Payables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note (a))*	**3,315**	16,261	**–**	–
Other payables and accrued charges	**7,435**	13,670	**6,417**	6,281
Amount due to a shareholder *(note (b))*	**–**	3,029	**–**	–
Amounts due to related companies *(note (b))*	**–**	5,757	**–**	3,419
	10,750	38,717	**6,417**	9,700

(a) Trade payables

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

	The Group	
	2009	2008
	HK$'000	HK$'000
1-30 Days	**120**	2,388
31-90 Days	**2,363**	434
91-180 Days	**822**	9,075
181-360 Days	**–**	–
Over 1 year	**10**	4,364
	3,315	16,261

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes to the Financial Statements

For the Year ended 31 December 2009

33. Trade and Other Payables *(Continued)*

(a) Trade payables *(Continued)*

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

	The Group	
	2009	2008
	'000	'000
MYR	**–**	1,722

The MYR trade payables as at 31 December 2008 has been disposed together with the disposal of subsidiaries during the year (note 41).

(b) Amounts due to related companies and a shareholder

The amounts due to related companies and a shareholder are unsecured, interest-free and repayable on demand. The amounts due to related companies have been disposed together with the disposal of subsidiaries during the year (note 41).

34. Other Borrowings

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other borrowings, unsecured	**–**	4,784	**–**	2,770

At 31 December 2008, the Group's other borrowings of approximately HK$214,000 was due to an independent third party and are interest-free and repayable on demand.

At 31 December 2008, the Group's other borrowings of approximately HK$1,800,000 due to an independent third party bears interest at 1% over the prime lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited. Such other borrowing has been disposed during the year ended 31 December 2009 together with the disposal of subsidiaries (note 41).

At 31 December 2008, the Group's and the Company's other borrowings of approximately HK$2,770,000 was due to an independent third party and are interest-free and repayable on demand. The amount has been fully repaid during the year ended 31 December 2009.

Notes to the Financial Statements

For the Year ended 31 December 2009

35. Convertible Bonds Designated at Financial Liabilities at FVTPL

During the year ended 31 December 2008, the Company had issued 3 series of convertibles bonds.

(a) CB 1 and CB 2

On 16 December 2008, the Company issued unsecured convertibles bonds with principal value of HK$100,000,000 ("CB 1") and HK$25,000,000 ("CB 2"), respectively, with maturity date on 16 December 2011. Both CB 1 and CB 2 bear interests at 8% per annum payable semi-annually in arrears on 30 June and 31 December in each year. Please refer to the Company's circular and announcement dated 31 December 2007 and 6 June 2008, respectively, for details.

The principal terms of CB 1 and CB 2 are as follows:

– The holders of CB 1 and CB 2 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.10 each (subject to adjustment) at any time within three years from the date of issue of CB 1 and CB 2.

– The Company has the right at any time during the conversion period to redeem the whole or part, in multiples of HK$1,000,000, of the principal amount of CB 1 and CB 2.

– The holders of the CB 1 and CB 2 have the right at any time during the period after end of the twenty-four months from the date of issue until the maturity date to redeem the whole or part of the principal amount.

– The Company has the right at any time during the conversion period to mandatorily convert the whole or part of the CB 1 or CB 2 into the Company's shares.

– The holders of the CB 1 and CB 2 are entitled to receive three bonus shares for every new share falling to be allotted and issue upon exercise of the conversion rights attached to the CB 1 and CB 2.

During the year ended 31 December 2009, an aggregate of 3,316,000,000 shares (2008: 640,000,000 shares) of HK$0.10 each (before the capital reduction as set out in note 38) and 1,044,000,000 shares (2008: nil) of HK$0.01 each (after the capital reduction as set out in note 38) were issued to the holder of the CB 1 and CB 2 upon the conversions of the convertible note with total principal amount of HK$109,000,000 (2008: HK$16,000,000) at an average conversion price of HK$0.025 each (2008: HK$0.025). CB 1 and CB 2 have been fully converted during the year ended 31 December 2009.

Notes to the Financial Statements

For the Year ended 31 December 2009

35. Convertible Bonds Designated at Financial Liabilities at FVTPL *(Continued)*

(b) CB 3

On 16 December 2008, the Company issued unsecured convertible bonds with principal value of HK$40,000,000 ("CB 3") upon the completion of the acquisition of FT China Limited and FT Far East Limited (see note 42 for details). CB 3 bears interests at 4% per annum payable annually in arrears with the first payment to be made on the date falling 12 months from the date of issue and with maturity date on 16 December 2011.

The principal terms of CB 3 are as follows:

– The holders of CB 3 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.10 each (subject to adjustment) at any time within three years from the date of issue of CB 3. The conversion price of CB 3 has been adjusted to HK$2.00 with effect from 9 December 2009 after the completion of the shares consolidation of the Company (note 38).

– The holder of the CB 3 have the right at any time during the period after end of the twenty months from the date of issue until the maturity date to redeem the whole or part of the principal amount.

– The Company has the right at any time during the conversion period to mandatorily convert the whole or part of the CB 3 into the Company's shares.

As CB 1, CB 2 and CB 3 contain various embedded derivatives, the directors of the Company determined that the convertible bonds do not contain any equity component and the entire bonds were designated as "financial liabilities at FVTPL" which requires the bonds to be carried at fair value at the end of the reporting period and the changes in fair values are recognised in the consolidated income statement. During the year ended 31 December 2009, a loss on change in fair value of approximately HK$21,864,000 (2008: gain of HK$53,800,000) has been recognised in the consolidated income statement.

Notes to the Financial Statements

For the Year ended 31 December 2009

35. Convertible Bonds Designated at Financial Liabilities at FVTPL *(Continued)*

The Group and the Company

	2009	2008
	HK$'000	HK$'000
Convertible bonds measured at fair value:		
At 1 January	**95,200**	–
Issue of convertible bonds	**–**	165,000
Change in fair value	**21,864**	(53,800)
Conversion to shares	**(105,464)**	(16,000)
At 31 December	**11,600**	95,200
The balance is analysed into the following components:		
CB 1	**–**	67,200
CB 2	**–**	20,000
CB 3	**11,600**	8,000
	11,600	95,200

The fair value of the bonds at the end of each reporting period was calculated using the Binomial Model. The inputs into the model were as follows:

	2009	2008
	CB 3	CB 1, CB 2 and CB 3
Stock price	HK$0.58	HK$0.020
Exercise price	HK$2.00	HK$0.10
Risk-free rate	0.598%	0.786%
Volatility	63.34%	61.89%

Notes to the Financial Statements

For the Year ended 31 December 2009

36. Promissory Notes

The Group and the Company

On 16 December 2008, the Company issued unsecured promissory notes with principal value of HK$13,445,260 ("PN 1") and HK$33,800,000 ("PN 2") upon the completion of the acquisitions of FT China Limited ("FT China"), FT Far East Limited ("FTFE"), Coast Holdings Limited ("CHL") and Kingston Property Investment Limited ("KPIL") during the year ended 31 December 2008 (see note 42 for details). Please refer to the Company's circular dated 31 December 2007 for details.

(a) PN 1

PN 1 bears interests at 4% per annum payable monthly commencing from one month after the date of the issue. PN 1 is repayable in one lump sum on or before six months from the date of the issue or one month after the resumption of trading the shares of the Company on the Stock Exchange, whichever is earlier. The Group has fully settled PN 1 during the year ended 31 December 2009.

(b) PN 2

PN 2 bears interests at 3% per annum payable monthly commencing from one month after the date of the issue. PN 2 is repayable on or before sixty months from the date of the issue of PN 2, that is, 16 December 2013, or such other date as mutually agreed in writing by the Company and the noteholders. The Company has the option to redeem PN 2 in whole or in part at any time after three months from the date of the issue of PN 2 up to the date immediately prior to maturity. The carrying value of PN 2 as at 31 December 2009 amounted to approximately HK$23,130,000.

PN 1 and PN 2 are subsequently measured at amortised cost, using the effective interest rates at 13.30%. The directors of the Company determined that no value has been assigned for the redemption options of the Company as it is considered to be insignificant in value.

Notes to the Financial Statements

For the Year ended 31 December 2009

37. Deferred Tax Liabilities

The followings are the major deferred tax liability recognised by the Group and movements thereon during the current and prior years:

	Revaluation of prepaid lease payment HK$'000	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 January 2008	–	–	–	–
Acquisition of subsidiaries	6,837	4,363	–	11,200
At 31 December 2008 and 1 January 2009	6,837	4,363	–	11,200
(Credit) charge to profit or loss	(284)	877	1,102	1,695
At 31 December 2009	6,553	5,240	1,102	12,895

At the end of the reporting period, the Group has unused tax losses of approximately HK$91 million (2008: HK$172 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$5,554,000 (2008: HK$93,000) that can be carried forward for 5 years from the year in which the respective loss arose. Other losses may be carried forward indefinitely.

Notes to the Financial Statements

For the Year ended 31 December 2009

38. Share Capital and Reserves

The Company and the Group

	2009		2008	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.20 each (2008: HK$0.10)				
At 1 January	**40,000,000**	**4,000,000**	4,000,000	400,000
Increase of share capital *(note (i))*	**–**	**–**	36,000,000	3,600,000
Capital reduction *(note (iv))*	**–**	**(3,600,000)**	–	–
Share consolidation *(note (vi))*	**(38,000,000)**	**–**	–	–
At 31 December	**2,000,000**	**400,000**	40,000,000	4,000,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each (2008: HK$0.10)				
At 1 January	**3,201,167**	**320,116**	2,561,167	256,116
Issue of shares upon conversion of convertible bonds *(notes (ii) and (iii))*	**3,316,000**	**331,600**	640,000	64,000
Issue of shares upon placing (note (v))	**817,000**	**81,700**	–	–
Issue of shares upon conversion of convertible bonds *(note (vii))*	**1,044,000**	**10,440**	–	–
Capital reduction *(note (iv))*	**–**	**(660,074)**	–	–
Share consolidation *(note (vi))*	**(7,959,259)**	**–**	–	–
At 31 December	**418,908**	**83,782**	3,201,167	320,116

Notes to the Financial Statements

For the Year ended 31 December 2009

38. Share Capital and Reserves *(Continued)*

The Company and the Group *(Continued)*

Notes:

(i) By the resolutions passed at the extraordinary general meeting of the Company held on 17 January 2008, the authorised share capital of the Company have been increased from HK$400,000,000 divided into 4,000,000,000 shares of the Company to HK$4,000,000,000 divided into 40,000,000,000 shares each by the creation of an additional 3,600,000,000 unissued shares of HK$0.10 each.

(ii) As set out in the Company's announcement dated 23 December 2008, 640,000,000 shares of HK$0.10 each were issued to the convertible bonds holders upon the partial conversion of the convertible bonds in principal amount of HK$16,000,000 at a conversion price of HK$0.025 each.

(iii) As set out in the Company's announcement dated 5 January 2009, 8 June 2009 and 21 August 2009, aggregate of 3,316,000,000 shares of HK$0.10 each were issued to the convertible bonds holders upon the partial conversion of the convertible bonds in principal amount of HK$82,900,000 at a conversion price of HK$0.025 each.

(iv) As set out in the Company's announcement dated 19 June 2009, the directors of the Company proposed to reduce the share capital of the Company by cancelling the issued and paid up capital to the extent of HK$0.09 on each of the shares (the "Capital Reduction"). By a resolution passed at the extraordinary general meeting on 22 July 2009 and a court order granted on 3 November 2009, the Capital Reduction became effect on 6 November 2009, the par value of each share is decreased from HK$0.1 to HK$0.01.

(v) As set out in the Company's announcement dated 29 June 2009, 817,000,000 shares of HK$0.10 each were issued and allotted to the independent third parties at par by placing.

(vi) As set out in the Company's announcement dated 12 November 2009 and a resolution passed at the extraordinary general meeting on 9 December 2009, the Company implemented the share consolidation on the basis that every twenty issued and unissued shares of HK$0.01 each has been consolidated into one consolidated share of HK$0.20 each effective from 10 December 2009.

(vii) As set out in the Company's announcement dated 23 November 2009, 1,044,000,000 shares of HK$0.01 each were issued to the convertible bonds holders upon the partial conversion of the convertible bonds in principal amount of HK$26,100,000 at a conversion price of HK$0.025 each after the Capital Reduction became effective.

All the above shares rank pari passu in all aspects with other shares in issue.

Notes to the Financial Statements

For the Year ended 31 December 2009

38. Share Capital and Reserves *(Continued)*

Reserve of the Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	329,049	20	(561,519)	(232,450)
Loss for the year and total comprehensive expense for the year	–	–	(34,892)	(34,892)
Issue of shares on conversion of convertible bonds	(48,000)	–	–	(48,000)
At 31 December 2008 and 1 January 2009	281,049	20	(596,411)	(315,342)
Loss for the year and total comprehensive expense for the year	–	–	(43,539)	(43,539)
Transaction costs attributable to issue of shares	(2,385)	–	–	(2,385)
Issue of shares on conversion of convertible bonds	(236,576)	–	–	(236,576)
Capital reduction	63,664	–	596,410	660,074
At 31 December 2009	105,752	20	(43,540)	62,232

(a) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) General reserve

The general reserve is for general business development.

(iii) Special reserve

The special reserve represents adjustment relating to the Group's share of post acquisition profits and reserves in an investee company which became an associate of the Group in 2003.

Notes to the Financial Statements

For the Year ended 31 December 2009

38. Share Capital and Reserves *(Continued)*

(a) Nature and purpose of reserves *(Continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy as stated in note 3.

(b) Distributability of reserves

As at 31 December 2009 and 2008, the Company had no reserve available for distribution to equity holders of the Company.

39. Share Option Scheme

The Company has adopted a share option scheme on 22 July 2009 (the "Share Option Scheme") to enable the Company to grant share options to the eligible participants whom the directors of the Company in their sole discretion consider eligible for the Share Option Scheme on the basis of his or her contribution to the Group.

Details and the major terms of the Share Option Scheme include follows:

(i) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the participants in recognition of their contribution to the Group.

(ii) Participants

The directors of the Company may offer to grant an option to any employee or director of the Company or the Group's holding companies or subsidiaries, adviser, consultant, agent, contractor, customer, supplier or any entity in which the Group or its holding companies or subsidiaries holds any equity interest who has contribution to the Group.

(iii) Terms of options

The share options granted under the Share Option Scheme are subject to such terms and conditions as may be determined by the directors of the Company at their absolute discretion and specified in the offer of a share option, which terms and conditions may include (a) vesting conditions which must be satisfied before a share option holder's share option shall become vested and capable of being exercised; and (b) the directors of the Company may, in its absolute discretion, specify performance conditions that must be achieved before a share option can be exercised and/or the minimum period for which a share option must be held before it can be exercised.

Notes to the Financial Statements

For the Year ended 31 December 2009

39. Share Option Scheme *(Continued)*

(iv) Option price

The option price will be determined by the directors of the Company at their absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of (a) the closing price of the shares of the Company as stated in The Stock Exchange's daily quotations sheet on the date of offer of an option; (b) the average closing price of the shares of the Company as stated in The Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of the shares of the Company.

(v) Maximum number of shares

(1) 10% Limit

(a) The total number of shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the aggregate of the shares of the Company in issue as at the date of adoption of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme and any other scheme will not be counted for the purpose of calculating the 10% limit in this paragraph.

(b) With the approval of the shareholders of the Company in general meeting, the directors of the Company may "refresh" the 10% limit under paragraph (a) (and may further refresh such limit in accordance with this paragraph) provided that the total number of shares of the Company which may be issued upon the exercise of all options to be granted under the limit as "refreshed" shall not exceed 10% of the shares in issue as at the date on which the shareholders approve the "refreshed" limit.

Options previously granted (including those outstanding, cancelled and lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the limit as "refreshed".

(c) Subject to the limits as stated in elsewhere, the directors of the Company may, with the approval of the shareholders, grant options in excess of the 10% limit to participants specifically identified before shareholders' approval is sought. In such situation, the Company will send a circular to the shareholders of the Company containing a generic description of the specified participants who may be granted such options, the number and terms of such options to be granted and the purpose of granting such options to the specified participants with an explanation of how the terms of the options will serve the purpose.

Notes to the Financial Statements

For the Year ended 31 December 2009

39. Share Option Scheme *(Continued)*

(v) Maximum number of shares *(Continued)*

(2) 30% Limit

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(vi) Maximum entitlement of each participant

Subject always to the limits as stated in elsewhere, the directors of the Company shall not grant any options to any participant which, if exercised, would result in such participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised or outstanding) in any 12-month period exceed 1% of the shares of the Company in issue at such date. The directors of the Company may grant options to any participant in excess of the individual limit of 1% in any 12-month period with the approval of the shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

(vii) Time of exercise of options

An option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the directors of the Company as not exceeding 10 years from the date on which a participant is offered such option. The exercise of options may also be subject to any conditions imposed by the directors of the Company at the time of offer.

(viii) Period of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further options will be granted. The directors of the Company may terminate the Share Option Scheme at any time and in such event no further options shall be granted under the Share Option Scheme but any options which have been granted but not yet exercised shall continue to be valid and exercisable.

There is no outstanding option under the Share Option Scheme as at 31 December 2009 nor has any option been granted, exercised, cancelled or lapsed during the year (2008: nil).

The old share option scheme which was adopted on 30 June 2003 ("Old Share Option Scheme") had been terminated on 22 July 2009. There is no outstanding share option under the Old Share Option Scheme as at the date of termination.

Notes to the Financial Statements

For the Year ended 31 December 2009

40. Litigation

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easternet Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong as 1st defendant, the Company's director, and the Company as 2nd defendant for recovering a sum of HK$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced the Company an aggregate of approximately HK$15,241,000. In 2002, the Company repaid Xswim Group HK$5,600,000 leaving a balance of approximately HK$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003. As at 31 December 2009, with the advices by the Company's legal adviser, the directors are of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss has been accounted for in these financial statements.

41. Disposal of Subsidiaries

During the year ended 31 December 2009, the Group entered into five agreements with Mr. Kong Li Szu (the "Acquirer"), a former director of the Company, to dispose of its entire interests in Bestwick Limited ("Bestwick"), Pacpo Investments, Healthy Profit Group, Pacpo HK Group and Kong Sun (China) Investment Limited and its subsidiaries ("Kong Sun China Group") (all disposed subsidiaries collectively referred to as the "Disposed Subsidiaries"). Upon the disposal, the Group has also assigned to the Acquirer all the debts due from the Disposed Subsidiaries together with the disposal of the interests in the Disposed Subsidiaries at an aggregate cash consideration of HK$36.

The Group has discontinued its financial services operation upon the disposal of Pacpo Investments (note 13).

Notes to the Financial Statements

For the Year ended 31 December 2009

41. Disposal of Subsidiaries *(Continued)*

The disposal of Kong Sun China Group was completed on 30 October 2009 while the disposals of Bestwick, Pacpo Investments, Healthy Profit Group and Pacpo HK Group were completed on 30 November 2009, on which dates control of the Disposed Subsidiaries passed to the Acquirer. The net liabilities of the Disposed Subsidiaries at the date of disposals were as follows:

	Continuing operations					Discontinued operation
	Bestwick	**Healthy Profit Group**	**Pacpo HK Group**	**Kong Sun China Group**	**Total**	**Pacpo Investments**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net liabilities disposed of:						
Interests in an associates	–	–	–	–	–	–
Other receivables	–	8	3	15	26	1
Loan and interest receivables	–	–	–	–	–	–
Consideration receivables	–	–	–	–	–	–
Pledged deposits	–	41	–	–	41	–
Bank balances and cash	–	–	3	9	12	–
Trade and other payables	(3)	(14,077)	(259)	(119)	(14,458)	(19)
Amount due to the holding companies	–	(54,554)	(166,215)	(180,350)	(401,119)	(189,752)
Other borrowings	–	(1,800)	–	–	(1,800)	–
Net liabilities	(3)	(70,382)	(166,468)	(180,445)	(417,298)	(189,770)
Minority interests	–	(11)	–	–	(11)	–
Net liabilities disposed	(3)	(70,393)	(166,468)	(180,445)	(417,309)	(189,770)
Debts assigned to the Acquirer	–	54,554	166,215	180,350	401,119	189,752
Exchange reserve realised	–	849	(9,418)	326	(8,243)	–
Gain (loss) on disposal	3	14,990	9,671	(231)	24,433	18
Total cash consideration	–	–	–	–	–	–
Net cash outflow arising on disposal:						
Cash consideration	–	–	–	–	–	–
Bank balances and cash disposed of	–	–	(3)	(9)	(12)	–
	–	–	(3)	(9)	(12)	–

The impact of Pacpo Investments on the Group's results and cash flows in the current and prior periods is disclosed in note 13.

Notes to the Financial Statements

For the Year ended 31 December 2009

42. Acquisition of Subsidiaries

(i) Acquisition of FT China and FTFE

On 19 May 2007, Eternal Gain Investments Limited ("Eternal Gain"), a wholly owned subsidiary of the Company, the Company and Brightpower Assets Management Limited ("Brightpower"), an independent third party, entered into a sale and purchase agreement (the "FT Agreement") whereby Eternal Gain would acquire from Brightpower the entire issued share capital of two companies, FTFE and FT China (collectively refer to as the "FT Group"), held by Brightpower for an aggregate consideration of HK$1.

Upon the completion of the FT Agreement on 16 December 2008, Brightpower had assigned to Eternal Gain all benefits and rights in respect of the indebtedness in the amount of HK$80,786,000 due to Brightpower by FTFE for a consideration of HK$53,445,259. The aggregate consideration of HK$53,445,260 has been satisfied by the way of (i) a promissory note in principal amount of HK$13,445,260 and (ii) a convertible bond in principal amount of HK$40,000,000 issued by the Company to Brightpower (see notes 36 and 35 for details of the promissory notes and convertible bonds, respectively).

(ii) Acquisition of CHL and KPIL

On 28 June 2007, Lead Power Investments Limited ("Lead Power"), a wholly owned subsidiary of the Company, and two independent third parties (the "Vendors") entered into an agreement (the "CK Agreement") whereby Lead Power will acquire from the Vendors the entire issued share capital of two companies, CHL and KPIL, each for a consideration of HK$1.

Upon the completion of the CK Agreement on 16 December 2008, one of the Vendors ("Vendor A") had assigned all the benefits and rights in respect of the indebtedness in the amount of approximately HK$18,067,000 and HK$21,958,000 due to Vendor A by CHL and KPIL respectively for a consideration of HK$15,999,999 and HK$17,799,999 respectively. The aggregate consideration of HK$33,800,000 has been satisfied by the way of a promissory note in principal amount of HK$33,800,000 issued by the Company to Vendor A (see note 36 for details of the promissory notes).

These transactions have been accounted for by the purchase method of accounting.

Notes to the Financial Statements

For the Year ended 31 December 2009

42. Acquisition of Subsidiaries *(Continued)*

The net assets acquired, being the fair value, in the transaction, and the discount on acquisition arising, are as follows:

	FT Group			CHL and KPIL			Total		
	Acquiree's carrying amount before combination	Fair value adjustments	Fair value	Acquiree's carrying amount before combination	Fair value adjustments	Fair value	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties	–	–	–	18,556	26,444	45,000	18,556	26,444	45,000
Property, plant and equipment	34,544	403	34,947	491	–	491	35,035	403	35,438
Prepaid lease payments	2,807	13,033	15,840	–	–	–	2,807	13,033	15,840
Inventories	17,832	–	17,832	–	–	–	17,832	–	17,832
Trade and bills receivables	14,629	–	14,629	–	–	–	14,629	–	14,629
Other receivables	188	–	188	152	–	152	340	–	340
Bank balances and cash	21,517	–	21,517	–	–	–	21,517	–	21,517
Trade and other payables	(13,293)	–	(13,293)	(1,831)	–	(1,831)	(15,124)	–	(15,124)
Other borrowings	(214)	–	(214)	–	–	–	(214)	–	(214)
Tax liabilities	(204)	–	(204)	(152)	–	(152)	(356)	–	(356)
Deferred tax liabilities	–	(6,837)	(6,837)	–	(4,363)	(4,363)	–	(11,200)	(11,200)
	77,806	6,599	84,405	17,216	22,081	39,297	95,022	28,680	123,702
Discount on acquisition			(31,658)			(18,162)			(49,820)
Total consideration			52,747			21,135			73,882
Satisfied by:									
Convertible bonds issued			40,000			–			40,000
Promissory note issued			12,747			21,135			33,882
			52,747			21,135			73,882
Net cash inflow arising on acquisitions:									
Bank balances and cash acquired			21,517			–			21,517

Notes to the Financial Statements

For the Year ended 31 December 2009

42. Acquisition of Subsidiaries *(Continued)*

The discount on acquisition of subsidiaries was attributable to the ability of the Group in negotiating the agreed terms with the Vendors.

No contribution from the newly acquired subsidiaries to the Group's loss for the year ended 31 December 2008 since the completion of the above acquisitions. If the acquisitions of FT Group, CHL and KPIL had been completed on 1 January 2008, total group revenue for the year ended 31 December 2008 would have been approximately HK$206,224,000 and loss for the year ended 31 December 2008 would have been approximately HK$82,923,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

43. Retirement Benefits Schemes

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 December 2009, the total retirement benefits cost charged to the consolidated income statement amounted to approximately HK$326,000 (2008: nil).

44. Related Party Transactions

(a) As detailed in note 41 to the financial statements, the Company has disposed the Disposed Subsidiaries to Mr. Kong Li Szu, a former director of the Company, at an aggregate consideration of HK$36 during the year ended 31 December 2009.

(b) As at 31 December 2008, Hua Yi Copper Holdings Limited ("Hua Yi") and an independent third party provided corporate guarantee to a bank to secure the general banking facilities granted to the Group. A director of Hua Yi, Mr. Chu Yuk Kuen, is also the director of FTFE, a wholly owned subsidiary of the Company.

Notes to the Financial Statements

For the Year ended 31 December 2009

44. Related Party Transactions *(Continued)*

(c) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Short-term employee benefits	**709**	1,114

The remuneration of directors and key executive is determined by the remuneration committee having regards to the performance of individuals and market trends.

The balances with related parties are disclosed in notes 19, 27 and 33, respectively.

45. Major Non-cash Transactions

During the year ended 31 December 2008, the Group acquired FT Group, CHL and KPIL at the aggregate consideration of approximately HK$87,245,000. The amounts were settled in the way of issue of certain convertible bonds and promissory notes by the Company during the year ended 31 December 2008.

Notes to the Financial Statements

For the Year ended 31 December 2009

46. Operating Lease

The Group as lessee

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

	2009 **HK$'000**	2008 HK$'000
Within one year	**45**	45

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of 1 year with fixed monthly rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 **HK$'000**	2008 HK$'000
Within one year	**605**	1,363
In the second to fifth years inclusive	**120**	25
	725	1,388

The investment properties are expected to generate rental yields of 3.35% (2008: 5.43%) on an ongoing basis. Leases are negotiated for the terms ranged from 1 to 2 years with fixed monthly rentals.

47. Capital Commitments

The Group

	2009 **HK$'000**	2008 HK$'000
Capital expenditure in respect of the leasehold improvement contracted for but not provided in the consolidated financial statements	**–**	1,253

Notes to the Financial Statements

For the Year ended 31 December 2009

48. Events after the Reporting Period

(a) Share placing

As set out in the Company's announcement dated 20 January 2010, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 60,400,000 shares of the Company at HK$0.40 each to not fewer than six placees. On 2 February 2010, 60,400,000 shares of HK$0.20 each have been allotted and issued to the independent third parties at HK$0.40 per share.

(b) Grant of share options

As set out in the Company's announcement dated 22 February 2010, the Company has granted 30,210,000 share options to certain consultants of the Group under the Share Option Scheme with an exercise price of HK$0.478 each. Each option entitles the holders to subscribe for one ordinary share of HK$0.20 each of the Company.

49. Comparative Figures

The employee benefit expenses of approximately HK$1,114,000 as shown in the consolidated income statement for the year ended 31 December 2008 has been reclassified and grouped into administrative expense to conform with current year presentation. The directors of the Company consider that the new presentation is more meaningful in view of the nature of the relevant expenses.

Five-Year Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified where appropriate, is set out below:

Results

	Year ended 31 December					
	2009		2008	2007	2006	2005
	Continuing operations	**Discontinued operations**				
	HK$'000	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**89,953**	**–**	–	–	–	221
(LOSS)/PROFIT BEFORE TAX	**(10,740)**	**16**	(43,228)	(17,964)	(12,664)	(99,741)
Income tax expense	**(1,694)**	**–**	–	48	–	–
(LOSS)/PROFIT FOR THE YEAR	**(12,434)**	**16**	(43,228)	(17,916)	(12,664)	(99,741)
ATTRIBUTABLE TO:						
Owners of the Company	**(12,434)**	**16**	(43,227)	(17,915)	(12,663)	(99,735)
Minority interests	**–**	**–**	(1)	(1)	(1)	(6)
	(12,434)	**16**	(43,228)	(17,916)	(12,664)	(99,741)

Assets And Liabilities and Minority Interests

	At 31 December				
	2009	2008	2007	2006	2005
	Continuing operations				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**252,439**	214,485	132,824	138,026	137,923
TOTAL LIABILITIES	**(58,375)**	(184,327)	(77,485)	(64,480)	(57,669)
MINORITY INTERESTS	**–**	(11)	(12)	(13)	(14)
	194,064	30,147	55,327	73,533	80,240