中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

Annual 2009 Report

全新局面
創新中策

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Hui Richard Rui
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Lee Sun Man
(Executive Director)
Chow Kam Wah
(Executive Director)
Ma Si Hang, Frederick
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Ma Yin Fan
(Independent non-executive Director)
Phillip Fei
(Independent non-executive Director)
Leung Hoi Ying
(Independent non-executive Director)

SECRETARY

Chow Kim Hang

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Rms 3206-3210, 32/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

SOLICITORS

Freshfields Bruckhaus Deringer
Tung & Co

SHARE REGISTRARS AND TRANSFER OFFICE

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

STOCK CODE

0235

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my great pleasure to have the opportunity to write my first statement as Chairman of China Strategic Holdings Limited (the "Company"). The year 2009 was a milestone for the Group. On 13 October 2009, Primus Nan-Shan Holding Company Ltd, an 80% indirectly owned subsidiary of the Company, entered into an agreement with American International Group. Inc. to acquire 767,893,139 shares of common stock of Nan Shan Life Insurance Company Limited ("Nan Shan"), being approximately 97.57% of the issued share capital of Nan Shan at a cash consideration of approximately US$2,147 million.

At this stage, I am not at liberty to discuss the status of the acquisition as it is being examined by Taiwan regulatory authorities. I can, however, say Nan Shan is a well established insurance company and is one of the top five players in the life insurance market in Taiwan. As such, the acquisition represents an opportunity for the Company to diversify its business and enhance its income and asset base. We are still trying to complete the agreement and we are confident of being able to disclose the final outcome of the acquisition within the next few months.

We believe the Taiwan life insurance industry is expected to benefit as the age of its population continues to rise and therefore creating an increase demand for private solutions for pension, disability, critical illness, health and long term care. The traditionally high saving rates and the protection gap in Taiwan also suggest that there is potential for further growth in the Taiwan life insurance market. Having entered into a memorandum of understanding with Chinatrust Financial Holdings Co., Ltd. on 17 November 2009, the Company also has the possibility of penetrating into the banking sector in Taiwan.

We will continue to seek investment opportunities in other financial services institutions in the greater China region, with initial focus in Taiwan. The Company's vision is to establish a strong and competitive Asia-based financial services platform upon which to further develop the Group's presence in the financial services market in Asia.

We are pleased to have Mr. Or Ching Fai joining us as our Vice-Chairman and Chief Executive Officer, Mr. Or's expertise and experience in the financial services sector will undoubtedly enhance shareholders' value and benefit shareholders.

On behalf of the board, I would like to take this opportunity to express my appreciation to all management and staff members for their contribution during the past year.

Ma Si Hang, Frederick
Chairman

Hong Kong, 23rd April 2010

MANAGEMENT DISCUSSION & ANALYSIS

The revenue of the Group for the year ended 31 December 2009 decreased by approximately HK$10.45 million to approximately HK$8.25 million. The revenue for the year was generated from the manufacturing and trading of batteries products. As affected by the global economic turmoil, high production costs in mainland China and more stringent overseas safety requirements, the demand for the Group's batteries products has further weakened and leading to decrease in the revenue. Interest income from bank decreased by approximately HK$7.64 million mainly because of the interest rate maintained at low level during the year of 2009. Due to the gradual recovery in the global and Hong Kong economies and the recent upturn in the financial market, the Group recorded a gain from fair value changes on financial assets at fair value through profit or loss which was approximately HK$144.60 million for the year 2009 as opposed to a loss of HK$326.73 million for the year 2008. Finance costs decreased by approximately HK$59.71 million to approximately HK$42.54 million, in which HK$38.00 million arising from effective interest on convertible note has been recorded under the requirements of the Hong Kong Accounting Standard ("HKAS") 39 and HKAS 32. However, such financial costs of HK$38.00 million do not affect the Company's cash flow for the year 2009. Overall, total comprehensive expenses for the year ended 31 December 2009 was approximately HK$50.98 million and total comprehensive expenses of HK$447.47 million for the year 2008.

During the financial year of 2009, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by principal bankers, external borrowings, placing shares and placing of convertible notes. As at 31 December 2009, the Group had working capital calculated by current assets less current liabilities of approximately HK$813.83 million and the current ratio increased to 8.48, compared with the working capital of approximately HK$1,091.39 million and current ratio of 7.76 as at 31 December 2008.

In the fiscal year of 2009, the net cash from operating activities was approximately HK$85.24 million compared with approximately HK$764.03 million used in operating activities for the year 2008. The net cash generated from investing activities and used in financing activities in the fiscal year of 2009 was approximately HK$21.31 million and HK$401.20 million respectively compared with approximately HK$62.50 million net cash generated from investing activities and HK$1,287.24 million net cash generated from financing activities in 2008.

The Group's short-term bank and other borrowings was increased from approximately HK$79.24 million as at 31 December 2008 to approximately HK$90.16 million as at 31 December 2009, representing an increase of 13.78%. Except for obligations under finance leases, the Group had no long term borrowings as at 31 December 2009. Bank and other borrowings were variable rate loans and were denominated in RMB and Hong Kong dollars. As at 31 December 2009, there are no convertible notes outstanding. The gearing ratio was approximately 0.13 calculated by the total liabilities of HK$108.78 million divided by total shareholders' equity of HK$844.63 million attributable to equity holders of the Company.

Capital expenditure aggregated to approximately HK$0.5 million for the year ended 31 December 2009 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required.

As at 31 December 2009, the Group had cash and bank balances amount to approximately of HK$482.77 million and is mainly denominated in Hong Kong dollars. Fair value of financial assets at fair value through profit or loss was in an amount of HK$387.55 million. As at 31 December 2009, there was no bank deposit pledged. During the year ended 31 December 2009, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign contracts, currency swaps or other financial derivatives.

As at 31 December 2009, the Group employed approximately 80 staff, the staff cost (excluding directors' emoluments) was around HK$4.79 million for the year. The staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the employees in the Group's wholly owned foreign enterprise subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits.

There was no share option granted and exercised under the share option scheme of the Company during the year ended 31 December 2009 under review. As at 31 December 2009, 24,800,000 share options were still outstanding.

On 8 June 2009, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston") pursuant to which, Kingston agreed to place, on a best effort basis, 78,000,000,000 new shares at HK$0.1 per share of nominal value of HK$0.1 each to independent third parties (The "Shares Placing Agreement"). The Shares Placing Agreement was terminated on 20 August 2009. Further details are set out in the announcements of the Company dated 8 June 2009 and 20 August 2009.

On 15 July 2009, the Group has entered into a non-legally binding memorandum of understanding, with Primus Financial Holdings Ltd., a private equity fund and an independent third party of the Group, to form a consortium with a view to submitting a proposal for the acquisition of 97.57% of the outstanding shares of capital stock in Nan Shan Life Insurance Company Limited from AIG International Group, Inc.. A formal sale and purchase agreement has been entered into between Primus Nan-Shan Holding Company Ltd, a 80% indirectly owned subsidiary of the Company, and American International Group. Inc. on 13 October 2009. Further details are set out in the announcements of the Company dated 29 July 2009, 31 July 2009, 13 October 2009 and 10 November 2009 and the circular of the Company dated 27 February 2010.

On 20 August 2009, the Company has entered into the conditional placing agreement with Kingston (the "Conditional Placing Agreement"), pursuant to which, Kingston has agreed to, as agent of the Company, procure subscribers for the Convertible notes or, failing which, to subscribe as principal the convertible notes in an aggregate principal amount of HK$7,800 million at a conversion price of HK$0.1 per conversion share (the "Second Convertible Notes"). The Second Convertible Notes shall not bear any interest other than default interest and maturity on six months from the date of issue of the Second Convertible Notes. The whole of the outstanding principal amount of the Second Convertible Notes shall be automatically converted into ordinary shares in the issued share capital of the Company at the conversion price of HK$0.1 per share on a day to be determined by the Company upon which the Second Convertible Notes are converted into conversion shares. The net proceeds of approximately HK$7,600 million is intended to be used to fund the proposed acquisition of more than 90% of the share capital of an insurance company located in the Greater China Region. On 20 August 2009, the Company and Kingston have mutually agreed to terminate the Share Placing Agreement which entered on 8 June 2009 pursuant to its terms. Details of the placing of Second Convertible Notes and termination of the Share Placing Agreement were disclosed in the Company's announcements dated 8 June 2009 and 20 August 2009 and the circular of the Company dated 27 February 2010.

On 2 September 2009, the Group entered into a consortium letter with PFH Holdings, Ltd and the PFH Partnership Holdings, L.P., pursuant to which the parties agreed to (i) that on or prior to the date of completion of the sale and purchase agreement and subject to the fulfillment of all the conditions precedent set forth in the sale and purchase agreement and the Conditional Placing Agreement, the Company will direct Kingston to pay an amount up to the net proceeds from the placing of Second Convertible Notes (being a maximum aggregate amount of approximately HK$7.6 billion (or its equivalent in any other currency) to the American International Group, Inc. (or any other person as direct by American International Group, Inc.) for the purpose of satisfying the obligation to make payment of the purchase price under the sale and purchase agreement. (ii) that the Company will appoint Mr. Robert R. Morse as director and vice chairman to the board of the Company with effect from completion of the proposed acquisition of 97.57% of issued share capital of Nan Shan Life Insurance Company Limited by the Company or a member of the Group. Details of the consortium letter were disclosed in the Company's announcement dated 2 September 2009 and the circular of the Company dated 27 February 2010.

On 12 October 2009, the Company has entered into the Management Agreement with, the Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng. Pursuant to the Management Agreement, the parties agreed (i) the making of the Equity Contribution Amounts to the Purchaser on or prior to Acquisition Completion by each of the Company and the Primus Investor Group in the proportion of 80% and 20%, respectively for the purpose of enabling the Purchaser to meet its payment obligations under the Share Purchase Agreement; (ii) the composition of the Purchaser Board and the appointment of directors onto the Purchaser Board; (iii) the appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser, the terms of such appointment to be set out in the Employment Agreements; and (iv) the sharing of expenses (on a pro rata basis in accordance with the Company and Primus Investor's shareholding in the Purchaser) incurred in respect of the Transactions by the Company and Primus Investor. Pursuant to the Management Agreement, the Company, Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng also agreed that the Employment Agreements will be entered into in respect of the terms of appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser and the Service Fees payable by the Company to Mr. Morse and Mr. Ng for services performed by each of them in connection with the Transactions and the preparation of the Bid by the Purchaser. Pursuant to the Management Agreement, the Company will enter into the Option Agreements pursuant to which the Company will grant to Mr. Morse, and Mr. Ng, the Share Options. Terms used herein shall, unless otherwise defined, have the same meanings as defined in the announcement of the Company dated 10 November 2009. Further details of the Management Agreement are set out in the announcements of the Company dated 13 October 2009 and 10 November 2009 and the circular of the Company dated 27 February 2010.

On 13 October 2009, Primus Nan-Shan Holding Company Ltd, a subsidiary of the Company of which the Company indirectly owns 80% and PFH Holdings own 20% (the "Purchaser") and American International Group, Inc.(the "Seller") has entered into the share and purchase agreement pursuant to which the Seller and the Purchaser agreed that subject to the satisfaction of various conditions, the Seller will sell (or cause one or more of its subsidiaries to sell) and the Purchaser will purchase 767,893,139 shares of common stock of Nan Shan Life Insurance Company Limited (the "Nan Shan") which represent approximately 97.57% of the issue and outstanding share capital of Nan Shan (the "Sale and Purchase Agreement"). The purchase price for the sales shares is agreed at US$2,146,588,190. Further details of the Sale and Purchase Agreement are set out in the announcements of the Company dated 13 October 2009 and 10 November 2009 and the circular of the Company dated 27 February 2010.

On 9 November 2009, the Company and Kingston Securities Limited (the "Share Placing Agent") has entered into the conditional share placing agreement pursuant to which the Company agrees to conditionally place and the Share Placing Agent agrees to, as agent of the Company, procure purchasers during the placing period on a best effort basis, for the shares up to a maximum of 40,000,000,000 new shares at HK$0.1 per share (the "Conditional Share Placing Agreement"). Further details of the Conditional Share Placing Agreement are set out in the announcement of the Company dated 10 November 2009 and the circular of the Company dated 27 February 2010.

On 17 November 2009, the Company entered into a memorandum of understanding (the "MOU') with Chinatrust Financial Holdings Co., Ltd (the "Chinatrust") pursuant to which the Company and Chinatrust agreed that, conditionally upon the completion of the share purchase agreement entered into by Primus Nan-Shan Holding Company Ltd. (the "PNS"), a subsidiary of the Company, and American International Group, Inc. (the "AIG") dated 13 October 2009 (the "PNS-AIG SPA") in respect of the acquisition of approximately 97.57% of the issued and outstanding share capital of Nan Shan Life Insurance Company, Ltd. (the "Nan Shan"), the Company and Chinatrust will enter into the relevant transaction documentation (the "Transaction Documents") and it is the intention of the Company and Chinatrust that the Transaction Documents will set out the terms and conditions for: (i) the subscription by the Company of 1,172,100,000 shares of common stock in Chinatrust (representing approximately 9.950% of the entire issued share capital of Chintrust as at the date of MOU) for an issue price of NT$17.74 per share, which represents a discount of approximately 12.83% to the market price of Chinatrust shares as at 17 November 2009 (such subscription shares to be issued by way of a private placement) (the "Proposed Subscription"); and (ii) the sale by the Company and the purchase by Chinatrust of the number of shares of common stock in Nan Shan representing 30% of the entire issued and outstanding share capital of Nan Shan at a purchase price of approximately US$660.01 million (the "Proposed Disposal"); and (iii) the future intention within three years from the signing of the MOU to enter into negotiations between the parties to increase the Company's shareholding in Chinatrust and to increase Chinatrust's shareholding in Nan Shan (the "Future Plans"), in each case, to the extent agreeable by the parties and permissible under the laws. Further details of the MOU are set out in the announcement of the Company dated 17 November 2009 and the circular of the Company dated 27 February 2010.

On 26 February 2010, Primus Nan-Shan Holding Company Limited, an 80% indirectly owned subsidiary of the Company has entered into the Employment Agreements with each of Mr. Morse and Mr. Ng. Pursuant to the Employment Agreement, subject to Acquisition Completion, it will pay the Services Fees to Mr. Morse and Mr. Ng in equal shares. Terms used herein shall have the same meanings as defined in the announcement of the Company dated 26 February 2010 and further details of the Employment Agreement are set out in the announcement of the Company dated 26 February 2010 and the circular of the Company dated 27 February 2010.

On 26 February 2010, the Company has entered into Option Deeds with each of Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma. Pursuant to Option Deeds, the Company agreed to grant Share Options to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma to subscribe 3,200 million, 3,200 million, 600 million and 100 million Shares in the Company exercisable at the Exercise Price respectively. Terms used herein shall have the same meanings as defined in the announcement of the Company dated 26 February 2010 and further details of the Option Deeds are set out in the announcement of the Company dated 26 February 2010 and the circular of the Company dated 27 February 2010.

On 26 February 2010, the Company has also entered into a term loan facility agreement (the "CSH Facility Agreement") with the Purchaser, pursuant to which the Company will grant to Purchaser, subject to approval of the Independent Shareholders, a term loan facility of the principal amount up to HK$5.3 billion with zero interest for the term of three years and shall automatically be renewable for a further term of three years upon its maturity subject to compliance with the relevant provisions of the Listing to the Purchaser. Terms used herein shall have the same meanings as defined in the announcement of the Company dated 26 February 2010 and further details of the CSH Facility Agreement are set out in the announcement of the Company dated 26 February 2010 and the circular of the Company dated 27 February 2010.

On 16 March 2010, the Company held an extraordinary general meeting (the "EGM"), in which, among other things, the Sale and Purchase Agreement has been approved by the shareholders. Details of the EGM results are set out in the announcement of the Company dated 16 March 2010.

Looking forward, following to the signing of the Sale and Purchase Agreement, however, the completion of the acquisition is still under various conditions, the acquisition of 97.57% of issued share capital of Nan Shan Life Insurance Company Limited represents a unique opportunity for the Company, and would potentially beneficial to enhance the shareholders' value of the Company. Having entered into a memorandum of understanding with Chinatrust on 17 November 2009 which allows the Company has the possibility of penetrating into the banking sector in Taiwan. On the other hands, despite the recent signs of stabilizing in global economy, the market in 2010 will remain full of challenging and the interest rate is expected on hold in the 1st half of 2010. The Group tends to remain cautious on the performance of securities investment operation and also the batteries manufacturing and trading business. We will continue to seek to invest in other financial services institutions in the greater China region, with initial focus in Taiwan. The Company's vision is to establish a strong and competitive Asia-based financial services platform upon which to further develop the Group's presence in the financial services market in Asia. The Group will continue to seek for investment opportunities which it considers to be beneficial to the Company with a view to enhance its shareholders' value.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Or Ching-Fai, aged 60, was appointed as a Vice-Chairman, Chief Executive Office and an executive director of the Company in November 2009, Mr. Or graduated from The University of Hong Kong with a Bachelor's degree in economics and psychology. Mr. Or is a Justice of the Peace and has rich experiences in the insurance, banking and financial services industries. He was the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited. He was also the chairman of HSBC Insurance Limited. Mr. Or was the chief executive and vice-chairman of Hang Seng Bank Limited. He was also the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. Mr. Or was the chairman of the Hong Kong Association of Banks; the vice president and a Council Member of the Hong Kong Institute of Bankers; the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong. Mr. Or is currently a Vice Patron of the Board of the Community Chest of Hong Kong. Mr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. Mr. Or has been Chairman of the Financial Services Advisory Committee and a Member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He has been a Member of the Risk Management Committee of Hong Kong Exchanges and Clearing Limited, a Member of the Aviation Development Advisory Committee. He is the Deputy Chairman of the Council of City University of Hong Kong and was a Council Member of The University of Hong Kong; an adviser of the Employers' Federation of Hong Kong, a member of the 5th East Asian Games Planning Committee and a director of 2009 East Asian Games (Hong Kong) Limited. Mr. Or was a director of Cathay Pacific Airways Limited and Hutchison Whampoa Limited and is currently an independent non-executive director of Esprit Holdings Limited and a vice chairman and an independent non-executive director of G-Resources Group Limited, which shares are all listed on the main board of The Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Or did not hold any directorship in other listed public companies in the past three years.

Mr. Yau Wing Yiu, aged 43, was appointed as an executive director of the Company in December 2009, Mr. Yau holds a Master Degree of Business Administration in Finance from The Hong Kong University of Science and Technology, Graduate School of Business and a BA (Hons) in Business Studies from The City University of Hong Kong. Mr. Yau was the partner and Chief Financial Officer of AID Partners Capital Limited which is a private equity investment fund. Mr. Yau also worked for various listed companies in Hong Kong and overseas and a number of international investment banks. He has extensive experience in financial management, corporate finance and investment. He is an associate member of American Institute of Certified Public Accountant and an associate member of Hong Kong Institute of Certified Public Accountant.

Ms. Chiu Ching Ching, aged 59, was appointed as an executive director of the Company in September 2007. She has over 10 years of experience in senior management positions of several multinational corporations. She has over 15 years of experience in the trading business and business development.

Mr. Hui Richard Rui, aged 42, was appointed as an executive director of the Company in September 2008. He graduated from University of Technology, Sydney of Australia with a bachelor degree in mechanical engineering. He has over 10 years of experience in management positions of companies in Australia, Hong Kong and the PRC.

Mr. Hui is currently an executive director of G-Resources Group Limited (formerly known as Smart Rich Energy Finance (Holdings) Ltd.) and China Sci-Tech Holdings Limited, shares of both companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Hui has been an executive director of Wonson International Holding Limited up to 1st June 2007 which shares are listed of on the stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Hui did not hold any directorship in other listed public companies in the past three years.

Ms. Chan Ling, Eva, aged 44, was appointed as an executive director of the Company in July 2002. Ms. Chan has over 21 years of experience in auditing, accounting and finance in both international accounting firms and listed companies. She is a member of the Institute of Chartered Accountants in Australia, a fellow member of the Association of Chartered Certified Accountants and also a practicing member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan is the managing director of Wing On Travel (Holdings) Limited and an independent non-executive director of Trasy Gold Ex Limited, both companies' shares are listed on The Stock Exchange of Hong Kong Limited. She is also the deputy chairman of China Enterprises Limited (which shares are trading on the over-the-counter (OTC) securities markets in the United States) and a director of MRI Holdings Limited which shares are listed on the Australian Securities Exchange. Ms. Chan has been an independent non-executive director of Wonson International Holdings Limited (now known as China Ocean Shipbuilding Industry Group Limited) up to 13 August 2008 which shares are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Ms. Chan did not hold any directorship in other listed public companies in the past three years.

Mr. Lee Sun Man, aged 58, was appointed as an executive director of the Company in September 2007. He graduated from the Law Department of Shenzhen University. Mr. Lee is currently an executive director of Fulbond Holdings Limited, a company listed on Hong Kong Stock Exchange. He has experience in management in general trading in the PRC and property related business for more than 15 years.

Mr. Chow Kam Wah, aged 47, was appointed as an executive director of the Company in July 2007. He holds a Master degree in Accountancy obtained from The Hong Kong Polytechnic University. He has over 15 years of experience in the management of finance and accounting. He is a member of the CPA Australia.

NON-EXECUTIVE DIRECTORS

Mr. Ma Si Hang, Frederick, aged 58, was appointed as Chairman and a non-executive director of the Company in November 2009, Mr. Ma graduated from the University of Hong Kong with a Bachelor's degree in Arts (Honours) in 1973, majoring in economics and history. Mr. Ma was the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region for the period between 2002 and 2007, among many of his responsibilities, one of which is to oversee the insurance industry in Hong Kong as the chairman of the Insurance Advisory Committee of Hong Kong. Mr. Ma was the Secretary for Commerce and Economic Development of the Government of the Hong Kong Special Administrative Region for 2007 and 2008. Mr. Ma has rich experiences in the financial services industry; he was the Head of Institutional Banking and Second Vice-President of Chase Manhattan Bank at its Hong Kong Branch Office and Canadian Branch Office respectively. Mr. Ma was also the managing director of RBC Dominion Securities in its London Office and Asia-Pacific Chief Executive of JP Morgan Private Bank. Mr. Ma was an executive director and the group chief financial officer of Pacific Century CyberWorks Limited (now known as PCCW Limited) and was the deputy chairman and managing director of Kumagai Gumi (HK) Limited (now known as HKC (Holdings) Limited) and was also a non-executive director of MTR Corporation Limited, which shares are all listed on the main board of the Stock Exchange. Mr. Ma is an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. Mr. Ma was awarded a Gold Bauhinia Star from the Hong Kong Special Administrative Region in 2009. Mr. Ma is currently an independent non-executive director of China Resources Land Limited which shares are listed on the Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Ma did not hold any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan, aged 46, was appointed as independent non-executive director in September 2007. She obtained a Bachelor Degree with honours in Accountancy at Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master Degree in Professional Accounting at Heriot-Watt University in the United Kingdom and Hong Kong Polytechnic University respectively. She is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas for more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is the Fellow member of Hong Kong Institute of Certified Public Accountants, Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a member of the Institute of Chartered Accountant in the England and Wales. Ms. Ma is the member of Audit Committee and Remuneration Committee of the Company. Ms. Ma is currently an independent non-executive director of G-Resources Group Ltd (formerly known as Smart Rich Energy Finance (Holdings) Ltd) and Fulbond Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Ms. Ma did not hold any directorship in other listed public companies in the past three years.

Mr. Phillip Fei, aged 54, was appointed as independent non-executive director in September 2007. He was the Professor of The International Economic Department of University of International Relations, the People's Republic of China. He was also the 5th and 6th term director of Beijing Chinese Overseas Friendship Association and the 2nd term director of China Overseas Friendship Association. He has over 10 years of experience in the international trading business and economic research. Mr. Phillip is the member of Audit Committee and Remuneration Committee of the Company.

Mr. Leung Hoi Ying, aged 59, was appointed as independent non-executive director in September 2007. He graduated from Guangdong Foreign Trade School in the People's Republic of China. He has over 15 years of experience in the trading business and business development. Mr. Leung is the member of Audit Committee and Remuneration Committee of the Company.

Mr. Leung is currently an independent non-executive director of G-Resources Group Ltd., (formerly known as Smart Rich Energy Finance (Holdings) Ltd) and Fulbond Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Leung did not hold any directorship in other listed public companies in the past three years.

CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefited from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has complied with most of the code provisions ("Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Any deviation from the Code Provisions will be explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company (the "Director(s)"), the directors complied throughout the year in review with the required standards as set out in the Model Code.

THE BOARD OF DIRECTORS

The board of directors (the "Board") of the Company formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have act in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. All directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon the reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

THE BOARD OF DIRECTORS – continued

During the year, 24 board meetings were held and the attendance of each Director is set out as follows:

Name of director	Number of attendance
Ma Si Hang, Frederick (appointed on 10th November, 2009)	1
Or Ching Fai (appointed on 10th November, 2009)	3
Yau Wing Yiu (appointed on 10th December, 2009)	0
Chan Ling, Eva	2
Yeung Kwok Yu (resigned on 10th December, 2009)	17
Hui Richard Rui	19
Chiu Ching Ching	4
Wong Ah Chik (resigned on 20th April, 2009)	0
Lee Sun Man	17
Chow Kam Wah	14
Ma Yin Fan	3
Phillip Fei	3
Leung Hoi Ying	3

Each of our independent non-executive Directors in 2009 has made an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all the independent non-executive Directors in 2009 to be independent. None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

As at the date of this report, the Board comprises seven executive Directors, being Mr. Or Ching Fai (Vice Chairman and Chief Executive Officer), Ms. Chiu Ching Ching, Ms. Chan Ling, Eva, Mr. Yau Wing Yiu, Mr. Hui Richard Rui, Mr. Lee Sun Man and Mr. Chow Kam Wah, one non-executive Director being Mr. Ma Si Hang, Frederick (Chairman) and three independent non-executive Directors, being Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying. The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the Directors are shown on pages 8 to 10 under the section of Biographical Details of Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A2.1 requires the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from the requirement since 3rd October, 2008 due to the resignation of the chief executive officer. The Company has appointed a chief executive officer on 20th April, 2009.

APPOINTMENTS AND RE-ELECTION

The Company has not fixed the term of appointment for non-executive Directors in accordance with A.4.1 of the Code Provision. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company. The Board has discussed and concluded that the current practice of appointing non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

The Company has not established a nomination committee and retained the functions to the Board. The Directors from time to time identify individual suitable to be the Board member and make recommendation to the Board. The main criteria in selecting a candidate is whether he/she can add value to the management through his/her contributions in the relevant strategic business areas and the appointment results a strong and diverse the Board. Two meetings were held during the year to discuss appointment of new Directors with attendance below:

Name of director	Number of attendance
Or Ching Fai	1
Chow Kam Wah	2
Lee Sun Man	2
Hui Richard Rui	2
Yeung Kwok Yu	1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration committee comprises three independent non-executive Directors namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Phillip Fei (chairman of remuneration committee). The principal responsibilities of remuneration committee included formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Directors and members of senior management. The overriding objective of the remuneration policy was to ensure that the Group is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Group.

The remuneration committee held three meetings during the year 2009 to discuss remuneration matters of the staff for 2009. The members and attendance of the meetings are as follows:

Name of member	Number of attendance
Phillip Fei	3
Leung Hoi Ying	3
Ma Yin Fan	3

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2002. Such incentive scheme enables the eligible participants to obtain an ownership interest in the Company and thus to reward to the eligible participants who contribute to the success of the Group's operation.

Details of the remuneration of Directors are set out in note 11 to the consolidated financial statements and details of 2002 share option scheme are set out in the report of director and note 29 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive directors of the Company, namely Ms. Ma Yin Fan (Chairman of the Audit Committee), Mr. Phillip Fei and Mr. Leung Hoi Ying, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. The terms of reference of the Audit Committee included all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendence of outsiders with relevant experience and expertise if it considers necessary. The Audit Committee held two meetings during the year 2009. The members and attendance of the meetings are as follows:

Name of member	Number of attendance
Ma Yin Fan	2
Phillip Fei	2
Leung Hoi Ying	2

During the meetings, the Audit Committee reviews reports from external auditors regarding their audit on annual financial statements and interim financial results.

AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the external auditors of the Company at the 2009 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK$1.69 million to Deloitte Touche Tohmatsu in which approximately HK$1.17 million is related to statutory audit. The remaining was paid for the provision of non-statutory audit services amounted to approximately HK$0.52 million.

OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 25 to 26 of this Annual Report.

The chairman of the Board did not attend the 2009 annual general meeting. This deviates from the provision E.1.2 of the Code Provision. The chairman of the Company had another engagement that was important to the business of the Company and she was unable to attend the 2009 annual general meeting.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 40 and 16 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 27.

The directors do not recommend the payment of a dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were approximately 40% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 18% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 8% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 4% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

CONVERTIBLE NOTES

In January and March, 2009, the Company early redeemed convertible notes with principal amounts of HK$307,560,000 and HK$100,000,000 respectively. In August and November, 2009, 300,000,000 and 1,370,386,384 shares of the Company of HK$0.10 each were issued upon conversion of convertible notes with aggregate principal amount of HK$108,000,000 and HK$493,339,000, respectively. As at the date of this report, there is no outstanding convertible notes.

Details of movements of convertible notes of the Company during the year are set out in note 26 to the consolidated financial statements.

On 20th August, 2009, the Company and the Placing Agent entered into a conditional placing agreement, pursuant to which the Company has conditionally agreed to place, convertible notes with an aggregate principal amount of HK$7,800,000,000 at a conversion price of HK0.10 per convertible share. The convertible notes have not been issued as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31st December, 2009, the Company had no reserve available for distribution to shareholders.

DIRECTORS

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

Executive directors:

Mr. Or Ching Fai	(Chief Executive Officer and Vice-chairman, appointed on 10th November, 2009)
Ms. Chiu Ching Ching	
Mr. Yau Wing Yiu	(appointed on 10th December, 2009)
Mr. Hui Richard Rui	
Ms. Chan Ling, Eva	
Mr. Lee Sun Man	
Mr. Chow Kam Wah	
Mr. Yeung Kwok Yu	(appointed on 1st November, 2008 and resigned on 10th December, 2009)
Mr. Wong Ah Chik	(resigned on 20th April, 2009)

Non-executive directors:

Mr. Ma Si Hang, Frederick	(Chairman, appointed on 10th November, 2009)

Independent non-executive directors:

Mr. Phillip Fei
Mr. Leung Hoi Ying
Ms. Ma Yin Fan

In accordance with Article 116 of the Company's Articles of Association, Mr. Chow Kam Wah, Ms. Chan Ling, Eva and Mr. Phillip Fei retired at the forthcoming Annual General Meeting ("AGM") by rotation. In addition, in accordance with Article 99 of the Company's Articles Association, Mr. Or Ching Fai, Mr. Ma Si Hang, Frederick and Mr. Yau Wing Yiu will retire and, being eligible, offer themselves for re-election at AGM.

It was further reported that in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), a resolution for re-election of directors should be proposed and voted by shareholders for each re-elected directors separately.

The term of office of each non-executive director is the period up to the retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2009, the interest and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company are recorded in the registered required to be kept under Section 352 of the Securities and Futures Ordinance were as follows:

Name of directors	Nature of interest	Number of Underlying Shares (long position)	Approximate percentage of existing issued share capital of the Company
Chan Ling, Eva	Personal	4,400,000[1]	0.12

Note:

1 The personal interest of Ms. Chan represents an interest in 4,400,000 underlying shares in respect of share options granted by the Company as stated below.

Except as disclosed above, as at 31st December, 2009, none of the directors nor chief executives had any interest or short position in any shares of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

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

	Date of grant	Exercisable period	Exercise price HK$	Number of shares At 1.1.2009	Granted during the year	Lapsed during the year	At 31.12.2009
Eligible participants	10.7.2007	10.7.2007 to 9.7.2012	0.724	20,400,000	—	—	20,400,000
	4.11.2008	4.11.2008 to 4.11.2009	0.580	4,000,000	—	(4,000,000)	—
				24,400,000	—	(4,000,000)	20,400,000
Executive director:							
Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,400,000	—	—	4,400,000
				28,800,000	—	(4,000,000)	24,800,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the shares and underlying shares of the Company.

SUBSTANTIAL SHAREHOLDERS – continued

Name	Capacity	Long position/ short positon	No. of shares held	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company (%)
CHU Yuet Wah[1]	Interest of controlled corporation	Long position	0	78,000,000,000	2,108.57
MA Siu Fong[2]	Interest of controlled corporation	Long position	0	78,000,000,000	2,108.57
Kingston Securities Limited	Other	Long position	0	78,000,000,000	2,108.57
CHEUNG Chung Kiu[3]	Interest of controlled corporation	Long position	0	8,000,000,000	216.26
Asian Honour Limited	Beneficial owner	Long position	0	8,000,000,000	216.26
PMA Capital Management Limited[4]	Investment manager	Long position	0	7,000,000,000	189.23
PMA Strategic Investments Fund	Beneficial owner	Long position	0	7,000,000,000	189.23
Get Nice Holdings Limited[5]	Interest of controlled corporation	Long position	0	5,000,000,000	135.16
Get Nice Incorporated[6]	Interest of controlled corporation	Long position	0	5,000,000,000	135.16
Get Nice Securities Limited	Beneficial owner	Long position	0	5,000,000,000	135.16
CHENG Yu Tung[7]	Interest of controlled corporation	Long position	0	4,500,000,000	121.65
Chow Tai Fook Nominee Limited	Beneficial owner	Long position	0	4,500,000,000	121.65
YAM Tak Cheung[8]	Interest of controlled corporation	Long position	0	4,000,000,000	108.13
Integrated Asset Management (Asia) Limited	Beneficial owner	Long position	0	4,000,000,000	108.13
LAM How Mun Peter[9]	Beneficial owner and interest of controlled corporation	Long position	4,960,000	3,500,000,000	94.75
Mighty Kingdom Holdings Limited	Beneficial owner	Long position	0	3,300,000,000	89.21
ZHANG Xingmei[10]	Other	Long position	0	3,500,000,000	94.62
Green Apples Investments Limited	Other	Long position	0	3,500,000,000	94.62
WONG Howard[11]	Beneficial owner and interest of controlled corporation	Long position	2,000,000	3,000,000,000	81.15
Business Link Holdings Limited	Beneficial owner	Long position	0	3,000,000,000	81.10
SUEN Cho Hung, Paul[12]	Interest of controlled corporation	Long position	0	2,200,000,000	59.47
Novel Well Limited	Beneficial owner	Long position	0	2,200,000,000	59.47
LEE Yuk Lun[13]	Interest of controlled corporation	Long position	0	2,000,000,000	54.06
Spring Wealth Holdings Limited	Other	Long position	0	2,000,000,000	54.06
MAK Siu Hang Viola[14]	Interest of controlled corporation	Long position	0	1,000,000,000	27.03
VMS Investment Group Limited[15]	Interest of controlled corporation	Long position	0	1,000,000,000	27.03
VMS Private Investment Partners VI Limited (FKS Sino Blaze Limited)	Beneficial owner	Long position	0	1,000,000,000	27.03
ZHANG Yu Tao, Bryant[16]	Interest of controlled corporation	Long position	0	1,000,000,000	27.03
Beta Asset Management Limited	Beneficial owner	Long position	0	1,000,000,000	27.03
CHONG Tin Lung[17]	Interest of controlled corporation	Long position	0	225,000,000	6.08
VMS Capital Limited	Beneficial owner	Long position	0	225,000,000	6.08
LAU Luen Hung	Beneficial owner	Long position	0	4,500,000,000	121.64
CHO Kwai Chee	Beneficial owner and other	Long position	77,805,000	4,000,000,000	110.23
NG Leung Ho	Other	Long position	0	4,000,000,000	108.13
TANG Ching Ho	Other	Long position	0	4,000,000,000	108.13
Seekers Master Fund	Beneficial owner	Long position	0	3,800,000,000	102.73
OU Yaping	Beneficial owner	Long position	0	2,500,000,000	67.58
HUI Yick Fu	Beneficial owner	Long position	0	1,200,000,000	32.44
YAN Chi Ping	Beneficial owner	Long position	0	1,200,000,000	32.44
CHAM Wai Ho, Anthony	Beneficial owner	Long position	0	1,175,000,000	31.76
KUK Po Shun	Beneficial owner	Long position	0	1,065,000,000	28.79
KWONG Kai Sing Benny	Beneficial owner	Long position	0	1,000,000,000	27.03
YEUNG Ming Kwong	Beneficial owner	Long position	0	1,000,000,000	27.03
WONG Fung Kwan Daisy	Beneficial owner	Long position	0	200,000,000	5.41

SUBSTANTIAL SHAREHOLDERS – continued

Notes:

1 According to the Disclosure of Interests form dated 17 November 2009, CHU Yuet Wah has 51% control over Kingston Securities Limited.

2 According to the Disclosure of Interests form dated 17 November 2009, MA Siu Fong has 49% control over Kingston Securities Limited.

3 According to the Disclosure of Interests form dated 17 November 2009, CHEUNG Chung Kiu has 100% control over Asian Honour Limited.

4 According to the Disclosure of Interests form dated 17 November 2009, PMA Capital Management Limited has 100% control over PMA Strategic Investments Fund.

5 According to the Disclosure of Interests form dated 17 November 2009, Get Nice Holdings Limited has 100% control over both Get Nice Incorporated and Get Nice Securities Limited.

6 According to the Disclosure of Interests form dated 17 November 2009, Get Nice Incorporated has 100% control over Get Nice Securities Limited.

7 According to the Disclosure of Interests form dated 17 November 2009, CHENG Yu Tung has 100% control over Chow Tai Fook Nominees Limited.

8 According to the Disclosure of Interests form dated 17 November 2009, YAM Tak Cheung has 100% control over Integrated Asset Management (Asia) Limited.

9 According to the Disclosure of Interests form dated 17 November 2009, LAM How Mun Peter has 100% control over Mighty Kingdom Holdings Limited.

10 According to the Disclosure of Interests form dated 17 November 2009, ZHANG Xingmei has 100% control over Green Apples Investments Limited.

11 According to the Disclosure of Interests form dated 17 November 2009, WONG Howard has 100% control over Business Link Holdings Limited.

12 According to the Disclosure of Interests form dated 17 November 2009, SUEN Cho Hung, Paul has 100% control over Novel Well Limited.

13 According to the Disclosure of Interests form dated 17 November 2009, LEE Yuk Lun has 100% control over Spring Wealth Holdings Limited.

14 According to the Disclosure of Interests form dated 17 November 2009, MAK Siu Hang Viola has 100% control over both VMS Investment Group Limited and VMS Private Investment Partners VI Limited (FKS Sino Blaze Limited).

15 According to the Disclosure of Interests form dated 17 November 2009, VMS Investment Group Limited has 100% control over VMS Private Investment Partners VI Limited (FKS Sino Blaze Limited).

16 According to the Disclosure of Interests form dated 17 November 2009, ZHANG Yu Tao, Bryant has 100% control over Beta Asset Management Limited.

17 According to the Disclosure of Interests form dated 17 November 2009, CHONG Tin Lung has 100% control over VMS Capital Limited.

SUBSTANTIAL SHAREHOLDERS – continued

Other than disclosed above, the Company had not been notified of any other interest or short position in the issued shares of the Company as at 31st December, 2009.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2009, except for the following deviations:

1. Code Provision A2.1 requires the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from the requirement since 3rd October, 2008 due to the resignation of the chief executive officer. The Company has appointed a chief executive officer on 20th April, 2009.

2. Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment as subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is fair and reasonable.

3. Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman was unable to attend the 2009 annual general meeting as she had another engagement that was important to the business of the Company.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistic.

The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme are set out in note 29 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at the date of this report, there is sufficient public float of not less than 25% of the Company's issue share as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Or Ching Fai
Vice Chairman and Chief Executive Officer
23rd April, 2010

Deloitte.
德勤

TO THE MEMBERS OF CHINA STRATEGIC HOLDINGS LIMITED
中策集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 94, which comprise the consolidated and Company's statements of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23rd April, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	5	8,246	18,699
Cost of sales		(7,763)	(36,926)
Gross profit (loss)		483	(18,227)
Other income	6	25,344	29,789
Selling and distribution costs		(1,708)	(3,363)
Administrative expenses		(46,849)	(28,494)
Other expenses	7	(65,031)	(38,494)
Finance costs	8	(42,541)	(102,247)
Gain (loss) on financial assets at fair value through profit or loss		144,601	(326,731)
(Loss) gain on partial redemption of convertible notes		(71,034)	19,664
Loss before tax		(56,735)	(468,103)
Taxation	9	5,042	15,738
Loss for the year	10	(51,693)	(452,365)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		151	7,789
Fair value changes of available-for-sale investments		5,120	(1,338)
Reclassification adjustments upon disposal of available-for-sale investments		(4,552)	(1,557)
Other comprehensive income for the year		719	4,894
Total comprehensive expense for the year		(50,974)	(447,471)
Loss for the year attributable to:			
Owners of the Company		(51,686)	(452,365)
Minority interests		(7)	—
		(51,693)	(452,365)
Total comprehensive expense attributable to:			
Owners of the Company		(50,967)	(447,471)
Minority interests		(7)	—
		(50,974)	(447,471)
Loss per share			
- Basic and diluted	12	HK(2.23) cents	HK(22.57) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	NOTES	2009	2008
		HK$'000	HK$'000
Non-Current Assets			
Property, plant and equipment	13	13,845	87,533
Prepaid lease payments	14	12,493	12,793
Investment in an associate	16	—	—
Club debentures	17	825	825
Available-for-sale investments	18	3,889	8,138
		31,052	109,289
Current Assets			
Inventories	19	1,178	2,739
Trade and other receivables	20	50,792	65,791
Prepaid lease payments	14	321	321
Amount due from an associate	16	—	7,101
Financial assets at fair value through profit or loss	21	387,549	399,581
Bank balances and cash	22	482,769	777,418
		922,609	1,252,951
Current Liabilities			
Trade payables, other payables and accrued charges	23	11,656	69,353
Amount due to a subsidiary of an associate	16	—	7,239
Loan payables	24	67,403	63,903
Income tax payable		6,964	5,735
Bank borrowings	25	22,727	15,306
Obligations under finance leases	27	26	26
		108,776	161,562
Net Current Assets		813,833	1,091,389
Total Assets less Current Liabilities		844,885	1,200,678

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and Reserves			
Share capital	28	369,918	202,880
Reserves		474,708	145,957
Equity attributable to owners of the Company		844,626	348,837
Minority interests		254	261
Total equity		844,880	349,098
Non-current Liabilities			
Deferred tax liabilities	31	—	22,548
Convertible notes	26	—	829,001
Obligations under finance leases	27	5	31
		5	851,580
		844,885	1,200,678

The consolidated financial statements on pages 27 to 94 were approved and authorised for issue by the Board of Directors on 23rd April, 2010 and are signed on its behalf by:

Or Ching Fai	**Yau Wing Yiu**
Vice Chairman and Chief Executive Officer	*Director*

STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-Current Assets			
Property, plant and equipment	13	2,354	2,215
Prepaid lease payments	14	3,393	3,510
Investments in subsidiaries	15	57,883	57,883
Club debentures	17	825	825
		64,455	64,433
Current Assets			
Prepaid lease payments	14	117	117
Amounts due from subsidiaries	15	623,078	684,321
Other receivables, deposits and prepayments		14,732	2,136
Bank balances and cash	22	200,839	576,318
		838,766	1,262,892
Current Liabilities			
Other payables and accrued charges		2,878	5,951
Amounts due to subsidiaries	15	57,929	91,969
		60,807	97,920
Net Current Assets		777,959	1,164,972
Total Assets less Current Liabilities		842,414	1,229,405
Capital and Reserves			
Share capital	28	369,918	202,880
Reserves	30	472,496	174,976
Total equity		842,414	377,856
Non-current Liabilities			
Deferred tax liabilities	31	—	22,548
Convertible notes	26	—	829,001
		—	851,549
		842,414	1,229,405

For the year ended 31st December, 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 (note)	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other non-distributable reserves HK$'000	Retained profit (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2008	52,880	19,454	1,267	11,392	19,667	233	6,340	1,328	1,943	30,301	144,805	261	145,066
Loss for the year	–	–	–	–	–	–	–	–	–	(452,365)	(452,365)	–	(452,365)
Other comprehensive (expense) income for the year	–	–	–	–	–	–	(2,895)	7,789	–	–	4,894	–	4,894
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(2,895)	7,789	–	(452,365)	(447,471)	–	(447,471)
Issue of shares	150,000	345,000	–	–	–	–	–	–	–	–	495,000	–	495,000
Transaction cost attributable to issue of shares	–	(12,375)	–	–	–	–	–	–	–	–	(12,375)	–	(12,375)
Issue of convertible notes	–	–	–	–	282,656	–	–	–	–	–	282,656	–	282,656
Transaction cost attributable to issue of convertible notes	–	–	–	–	(7,066)	–	–	–	–	–	(7,066)	–	(7,066)
Redemption of convertible notes	–	–	–	–	(75,664)	–	–	–	–	–	(75,664)	–	(75,664)
Recognition of equity settled share-based payments	–	–	–	3,066	–	–	–	–	–	–	3,066	–	3,066
Lapse of share options	–	–	–	(3,061)	–	–	–	–	–	3,061	–	–	–
Deferred tax liabilities on recognition of equity component of convertible notes	–	–	–	–	(45,472)	–	–	–	–	–	(45,472)	–	(45,472)
Reversal of deferred tax liability recognised on partial redemption of convertible notes	–	–	–	–	11,119	–	–	–	–	–	11,119	–	11,119
Effect of change in tax rate	–	–	–	–	239	–	–	–	–	–	239	–	239
At 31st December, 2008	202,880	352,079	1,267	11,397	185,479	233	3,445	9,117	1,943	(419,003)	348,837	261	349,098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 (note)	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other non-distributable reserves HK$'000	Retained Profit (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 31st December, 2008	202,880	352,079	1,267	11,397	185,479	233	3,445	9,117	1,943	(419,003)	348,837	261	349,098
Loss for the year	–	–	–	–	–	–	–	–	–	(51,686)	(51,686)	(7)	(51,693)
Other comprehensive income for the year	–	–	–	–	–	–	568	151	–	–	719	–	719
Total comprehensive income (expense) for the year	–	–	–	–	–	–	568	151	–	(51,686)	(50,967)	(7)	(50,974)
Redemption of convertible notes	–	–	–	–	(71,034)	–	–	–	–	71,034	–	–	–
Reversal of deferred tax liability recognised on partial redemption of convertible notes	–	–	–	–	6,788	–	–	–	–	–	6,788	–	6,788
Conversion of convertible notes	167,038	494,163	–	–	(130,722)	–	–	–	–	–	530,479	–	530,479
Reversal of deferred tax liability recognised on conversion of convertible notes	–	–	–	–	9,489	–	–	–	–	–	9,489	–	9,489
At 31st December, 2009	369,918	846,242	1,267	11,397	–	233	4,013	9,268	1,943	(399,655)	844,626	254	844,880

Note: The special capital reserve of the Group at 1st January, 2008 represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(56,735)	(468,103)
Adjustments for:		
Finance costs	42,541	102,247
Interest income	(12,464)	(22,055)
Dividend income	—	(1,287)
Depreciation of property, plant and equipment	9,060	7,316
Loss on disposal of property, plant and equipment	504	—
Release of prepaid lease payments	321	651
Share-based payment expenses	—	3,066
(Reversal of) impairment loss on inventories	(144)	5,172
Impairment loss on available-for-sale investments	—	22,596
Impairment loss on property, plant and equipments	65,031	9,063
Impairment loss on prepaid lease payments	—	6,835
(Gain) loss on financial assets at fair value through profit or loss	(144,601)	326,731
Loss (gain) on partial redemption of convertible notes	71,034	(19,664)
Gain on disposals of available-for-sale investments	(4,552)	(1,557)
Operating cash flows before movements in working capital	(30,005)	(28,989)
Decrease in inventories	1,705	1,961
Decrease (increase) in trade and other receivables	14,999	(55,929)
Decrease (increase) in financial assets at fair value through profit or loss	156,633	(712,512)
(Decrease) increase in trade payables, other payables and accrued charges	(58,089)	31,444
Cash generated from (used in) operations	85,243	(764,025)
Hong Kong Profits Tax paid	—	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	85,243	(764,025)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Interest received	12,464	20,407
Proceeds on disposal of available-for-sales investments	9,369	4,906
Repayment of loans and interest receivables	—	43,372
Dividend income received from available-for-sale investments	—	1,287
Advance to an associate	—	(415)
Purchase of property, plant and equipment	(523)	(7,057)
NET CASH FROM INVESTING ACTIVITIES	21,310	62,500
FINANCING ACTIVITIES		
Redemption of convertible notes	(407,560)	(311,101)
Repayment of bank borrowings	(15,306)	(3,573)
Interest paid	(1,037)	(2,810)
Repayment of obligations under finance lease	(26)	(26)
Expenses on issue of convertible notes	—	(29,329)
Repayment of loan payables	—	(22,251)
Expenses on issue of shares	—	(12,375)
Advance from a subsidiary of an associate	—	553
Proceeds from issue of shares	—	495,000
Proceeds from issue of convertible notes	—	1,173,150
New bank borrowings raised	22,727	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(401,202)	1,287,238
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(294,649)	585,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	777,418	191,617
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	—	88
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	482,769	777,418

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the corporate information of the annual report.

The Company and its subsidiaries (the "Group") are mainly engaged in (i) the manufacturing and trading of batteries products and related accessories and (ii) the investments in securities.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 40 and 16 respectively.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

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 Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st 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 HKFRS has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 5).

The Group early adopted amendment to HKFRS 8 as part of the Improvements to HKFRSs issued in 2009. The amendment clarifies that an entity is required to report a measure of total assets for each reportable segment only if such amount is regulary provided to the chief operating decision makers.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 except for amendment to HKFRS 8[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time 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 1st July, 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st July, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "*Financial Instruments*" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 statement of comprehensive income 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 intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 goods are delivered and title has 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Leasing

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

The Group as lessee

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Club debentures

Club debentures are carried at cost less any subsequent accumulated impairment losses.

Club debentures are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of club debentures is estimated to be less that its carrying amount, the carrying amount of the club debentures is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

When an impairment loss subsequently reverses, the carrying amount of club debentures is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for those club debentures in prior years.

Borrowing costs

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

All other borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the year in which they are incurred.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme 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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary 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 arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash, amount due from an associate and amounts due from subsidiaries for the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

For an 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.

Trade receivables 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

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 receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 of FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible notes issued by the Group

Convertible notes issued by the Company that contain liability, conversion option and early redemption option are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. Derivatives embedded in non-derivative host contract with risks and characteristics that are closely related to those of the host contract and the host contracts are not measured at fair value with changes in fair value are not separated from the host contract.

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

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method.

The equity component, representing the option to convert the liability component into ordinary shares of the Company will remain in convertible notes reserve until the conversion option is exercised. On conversion of the convertible notes, the liability component is reclassified as equity and the balance stated in convertible notes reserve will be transferred to share premium. No gain or loss on conversion is recognised at maturity.

When the convertible notes are early redeemed, the consideration paid and the transaction costs for the redemption are allocated to the liability (based on fair value of the liability component at the date of redemption) and equity components (being the residual) of the convertible notes at the date of the redemption.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible notes issued by the Group – continued

The difference between the considerations allocated to the liability component and the carrying amount of the liability component is recognised as gain or loss and charged to consolidated statement of comprehensive income. The amount of consideration relating to the equity component is recognised in equity.

Where the conversion option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade payables, other payables, loan payables, bank borrowings, amount due to subsidiary of an associate, and amounts due to subsidiaries for the Company) 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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative in the host contracts are closely related to the host contracts, the embedded derivative is not separated from the host contracts.

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 has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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

Impairment losses on assets

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

Equity-settled share-based payment transactions

Share options granted to eligible participants and directors

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

4. 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 on other receivables

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the estimation of the future cash flow expected to receive and discounted at the original effective interest rate in order to calculate the present value. If the actual recovery is less than expected, an impairment loss may arise. As at 31st December, 2009, the balance of other receivables was HK$50,024,000 (2008: HK$64,728,000).

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st 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 makers, representing the executive directors of the Group, 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.

Information reported to the chief operating decision makers for the purposes of resource allocation and performance assessment focuses on the Group's business operations. The Group's operating segments under HKFRS 8 are as follows:

1. Investments in securities - Investments in and trading of securities
2. Battery products - Manufacturing and trading of battery products and related accessories

5. SEGMENT INFORMATION – continued

Information regarding the above segments is reported below.

Segment revenues and results

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

	Investments in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2009			
Gross proceeds	341,197	8,246	349,443
REVENUE			
External sales	—	8,246	8,246
RESULT			
Segment profit (loss)	150,846	(82,140)	68,706
Loss on partial redemption of convertible notes			(71,034)
Other income			21,500
Central administrative expenses			(33,366)
Finance costs			(42,541)
Loss before tax			(56,735)

	Investments in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2008			
Gross proceeds	338,870	18,699	357,569
REVENUE			
External sales	—	18,699	18,699
RESULT			
Segment loss	(355,769)	(28,639)	(384,408)
Gain on partial redemption of convertible notes			19,664
Other income			29,269
Impairment loss on prepaid lease payments			(6,835)
Central administrative expenses			(23,546)
Finance costs			(102,247)
Loss before tax			(468,103)

5. SEGMENT INFORMATION – continued

Other Information

	Investments in securities HK$'000	Battery products HK$'000	Segment and Consolidated total HK$'000
For the year ended 31st December, 2009			
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	82	8,978	9,060
Impairment loss on property, plant and equipment	—	65,031	65,031
Gain on financial assets at FVTPL	(144,601)	—	(144,601)
Release of prepaid lease payments	118	203	321
Reversal of impairment loss on inventories	—	(144)	(144)
Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss:			
Addition of non-current assets (note)	401	122	523

	Investments in securities HK$'000	Battery products HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2008					
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	6,048	1,268	7,316	—	7,316
Impairment loss on property, plant and equipment	—	9,063	9,063	—	9,063
Impairment loss on available-for-sale investments	22,596	—	22,596	—	22,596
Impairment loss on inventories	—	5,172	5,172	—	5,172
Impairment loss on prepaid lease payments	—	—	—	6,835	6,835
Loss on financial assets at FVTPL	326,731	—	326,731	—	326,731
Release of prepaid lease payments	118	203	321	330	651
Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss:					
Addition of non-current assets (note)	1,073	5,984	7,057	—	7,057

Note: Non-current assets represent property, plant and equipment.

5. SEGMENT INFORMATION – continued

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly provided to the Group's executive directors for review, the measure of total assets and liabilities for each reportable segment is not presented.

Revenue from major product

The Group's revenue is arising from manufacturing and trading of portable alkaline batteries.

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") and Hong Kong.

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

	Revenue from external customers Year ended 31st December,		Non-current assets (note) As at 31st December,	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
The PRC	1,093	8,001	22,381	96,085
Hong Kong	7,153	10,698	4,782	5,066
	8,246	18,699	27,163	101,151

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

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

	For the year ended 31st December,	
	2009 HK$'000	2008 HK$'000
Customer A	1,503	2,137
Customer B	—[1]	4,286
Customer C	—[1]	3,762

All of the revenue is generated from manufacturing and trading of battery products and related accessories.

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income from banks	12,464	20,103
Interest income from loans receivables	—	1,952
	12,464	22,055
Gain on disposal of available-for-sale investments	4,552	1,557
Dividend income from available-for-sale investments	—	1,287
Dividend income from investments held for trading	3,844	520
Others	4,484	4,370
	25,344	29,789

7. OTHER EXPENSES

	2009 HK$'000	2008 HK$'000
Impairment loss on property, plant and equipment	65,031	9,063
Impairment loss on available-for-sale investments	—	22,596
Impairment loss on prepaid lease payments	—	6,835
	65,031	38,494

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on borrowings wholly repayable within five years:		
Effective interest expense on convertible notes	38,004	95,383
Loan payables	3,624	5,537
Bank borrowings	906	1,320
Obligations under finance leases	7	7
	42,541	102,247

9. TAXATION

	2009 HK$'000	2008 HK$'000
Hong Kong Profits Tax	1,229	—
Deferred tax (note 31)	(6,271)	(15,738)
	(5,042)	(15,738)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

Pursuant to the relevant laws and regulations in the PRC, two PRC subsidiaries of the Group are exempted from PRC enterprise income tax for two years commencing from the year ended 31st December, 2008, followed by a 50% relief from PRC enterprise income tax for the next three years.

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

	2009 HK$'000	2008 HK$'000
Loss before tax	(56,735)	(468,103)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	(9,361)	(77,237)
Tax effect of expenses not deductible for tax purpose	28,721	22,643
Tax effect of income not taxable for tax purpose	(393)	(8,130)
Tax effect of deductible temporary differences not recognised	—	(3)
Tax effect of tax losses not recognised	—	49,719
Utilisation of tax losses previously not recognised	(23,155)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	(854)	(2,730)
Taxation for the year	(5,042)	(15,738)

10. LOSS FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– directors' emoluments (note 11(a))	8,041	9,413
– other staff costs	4,661	9,277
– retirement benefits schemes contributions, excluding directors	124	334
Total staff costs	12,826	19,024
Auditor's remuneration	1,053	1,170
Depreciation of property, plant and equipment	9,060	7,316
Release of prepaid lease payments	321	651
Cost of inventories recognised as expense (Note)	7,763	36,926
Loss on disposal of property, plant and equipment	504	—
and after crediting:		
Exchange gain	21	4,791

Note: Include in cost of inventories recognised as expenses for the year ended 31st December, 2009 and 2008 are reversal of impairment loss on inventories of HK$144,000 and impairment loss on inventories of HK$5,172,000, respectively. During the year ended 31st December, 2009, a significant quantity of the inventories was sold. As a result, a reversal of impairment loss on inventories of HK$144,000 has been recognised and included in cost of sales in the current year.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 13 (2008: 11) directors were as follows:

	Notes	2009 HK$'000	2008 HK$'000
Fees			
Executive directors		—	—
Non-executive directors			
– Mr. Ma Si Hang, Frederick	(a)	496	—
Independent non-executive directors			
– Mr. Phillip Fei		100	128
– Mr. Leung Hoi Ying		100	128
– Ms. Ma Yin Fan		150	189
		846	445

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(a) *DIRECTORS' EMOLUMENTS – continued*

	Notes	2009 HK$'000	2008 HK$'000
Other emoluments			
Executive directors			
(i) Salaries and other benefits			
– Mr. Or Ching Fai	(a)	1,418	—
– Mr. Yau Wing Yiu	(g)	181	—
– Ms. Chiu Ching Ching		260	260
– Mr. Hui Richard Rui	(b)	780	211
– Ms. Chan Ling, Eva		1,560	1,500
– Mr. Lee Sun Man		520	520
– Mr. Chow Kam Wah		715	650
– Mr. Yeung Kwok Yu	(c)	955	173
– Mr. Wong Ah Chik	(f)	280	910
– Mr. Kwok Ka Lap, Alva	(d)	—	27
– Mr. Zhang Hong Ren	(e)	—	424
		6,669	4,675
(ii) Retirement benefits schemes contributions			
– Ms. Chiu Ching Ching		12	12
– Mr. Hui Richard Rui	(b)	12	4
– Ms. Chan Ling, Eva		12	12
– Mr. Lee Sun Man		12	12
– Mr. Chow Kam Wah		12	12
– Mr. Yeung Kwok Yu	(c)	12	2
– Mr. Wong Ah Chik	(f)	4	13
– Mr. Zhang Hong Ren	(e)	—	9
		76	76
(iii) Share-based payment expenses			
– Mr. Zhang Hong Ren	(e)	—	3,066
(iv) Bonus			
– Ms. Chan Ling, Eva		—	306
– Mr. Lee Sun Man		50	25
– Mr. Chow Kam Wah		400	200
– Mr. Yeung Kwok Yu	(c)	—	300
– Mr. Kwok Ka Lap, Alva	(d)	—	100
– Mr. Zhang Hong Ren	(e)	—	100
		450	1,031

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(a) DIRECTORS' EMOLUMENTS – continued

The bonus is at the discretion of the board of directors and determined with reference to the director's performance and the Group's performance for the year.

	Note	2009 HK$'000	2008 HK$'000
(v) Housing Allowance			
– Mr. Zhang Hong Ren	(e)	—	120
Independent non-executive directors		—	—
		7,195	8,968
Total directors' emoluments		8,041	9,413

Notes:

(a) Appointed on 10th November 2009

(b) Appointed on 19th September, 2008

(c) Resigned on 10th December, 2009

(d) Resigned on 7th April, 2008

(e) Appointed on 15th February, 2008 and resigned on 3rd October, 2008

(f) Resigned on 20th April, 2009

(g) Appointed on 10th December 2009

During the year, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments in the year ended 31st December, 2009.

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individual in the Group in 2009 and 2008 were all directors of the Company and details of their emoluments are included in note 11(a) above.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to the owners of the Company of HK$51,686,000 (2008: HK$452,365,000) and the weighted average number of 2,321,310,933 (2008: 2,004,207,379) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31st December, 2009 and 2008 does not include adjustments for the Company's convertible notes and share options as they have anti-dilutive effect.

13. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January, 2008	2,125	10,718	3,357	172,331	1,465	67,859	257,855
Exchange adjustments	—	620	135	963	25	3,866	5,609
Transfer	60,163	13,100	—	—	—	(73,263)	—
Additions	—	—	2,184	255	255	4,363	7,057
Disposals	—	—	—	(17)	—	—	(17)
At 1st January, 2009	62,288	24,438	5,676	173,532	1,745	2,825	270,504
Exchange adjustments	200	195	2	39	1	—	437
Additions	—	53	466	4	—	—	523
Disposals	—	—	(443)	(232)	—	—	(675)
At 31st December, 2009	62,488	24,686	5,701	173,343	1,746	2,825	270,789
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2008	431	89	1,873	162,278	1,445	—	166,116
Exchange adjustments	—	5	74	394	20	—	493
Provided for the year	53	4,839	590	1,753	81	—	7,316
Impairment loss recognised in profit or loss	—	212	—	8,661	190	—	9,063
Eliminated on disposals	—	—	—	(17)	—	—	(17)
At 1st January, 2009	484	5,145	2,537	173,069	1,736	—	182,971
Exchange adjustments	3	28	2	19	1	—	53
Provided for the year	53	8,602	313	42	50	—	9,060
Impairment loss recognised in profit or loss	48,869	10,911	2,192	234	—	2,825	65,031
Eliminated on disposals	—	—	(83)	(47)	(41)	—	(171)
At 31st December, 2009	49,409	24,686	4,961	173,317	1,746	2,825	256,944
CARRYING VALUES							
At 31st December, 2009	13,079	—	740	26	—	—	13,845
At 31st December, 2008	61,804	19,293	3,139	463	9	2,825	87,533

13. PROPERTY, PLANT AND EQUIPMENT – continued

	Building HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE COMPANY							
COST							
At 1st January, 2008	2,125	—	1,148	887	541	—	4,701
Additions	—	—	433	243	—	—	676
At 31st December, 2008	2,125	—	1,581	1,130	541	—	5,377
Additions	—	—	757	—	—	—	757
Disposals	—	—	(433)	(207)	—	—	(640)
At 31st December, 2009	2,125	—	1,905	923	541	—	5,494
DEPRECIATION							
At 1st January, 2008	431	—	1,148	873	541	—	2,993
Provided for the year	53	—	83	33	—	—	169
At 1st January, 2009	484	—	1,231	906	541	—	3,162
Provided for the year	53	—	16	13	—	—	82
Eliminated on disposals	—	—	(83)	(21)	—	—	(104)
At 31st December, 2009	537	—	1,164	898	541	—	3,140
CARRYING VALUES							
At 31st December, 2009	1,588	—	741	25	—	—	2,354
At 31st December, 2008	1,641	—	350	224	—	—	2,215

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

Building	Over the shorter of the term of the lease, or 2.5%
Leasehold improvements	5% - 10%
Furniture and fixtures	10% - 25%
Machinery and equipment	10% - 20%
Motor vehicles	12.5% - 25%

13. PROPERTY, PLANT AND EQUIPMENT – continued

At 31st December 2009 and 2008, the building of the Group is situated on land in the PRC under medium-term land use right.

The carrying value of certain furniture and fixtures of the Group includes an amount of approximately HK$9,000 (2008: HK$58,000) in respect of assets held under finance leases.

During the year ended 31st December, 2009, the directors further conducted a review of the Group's property, plant and equipment in view of continuous downturn in business of the battery plant. Impairment loss on the property, plant and equipment in the battery products segment was determined by comparing their carrying amount to the recoverable amount. The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections for a period of 10 years, based on a three-year budget for the battery products business, with a discount rate of 15.94%. The projections of cash flows beyond the three-year period are estimated by extrapolating using a zero growth rate. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Group's past performance and management's expectations for the market development. During the year ended 31st December, 2009, the Group recognised an impairment loss of approximately HK$65,031,000 in relation to the property, plant and equipment.

During the year ended 31st December, 2008, certain property, plant and equipment were specifically identified to be impaired as a result of relocation of a battery plant. Impairment loss of HK$9,063,000, calculated by comparing carrying amount of the assets to the recoverable amount determined based on value in use has been recognised in respect of these assets. The directors also conducted a review of the Group's other manufacturing assets (the recoverable amounts of which have been determined based on fair value less cost to sell) and no further impairment loss is considered necessary.

At 31st December 2009, building of the Group with a carrying value of HK$11,491,000 (2008: nil) was pledged to secure a short-term bank loan granted to a subsidiary.

14. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Analysed for reporting purposes as:				
Current asset	321	321	117	117
Non-current asset	12,493	12,793	3,393	3,510
	12,814	13,114	3,510	3,627

The Group's prepaid lease payments represent payments for land use rights in the PRC under medium-term land use rights.

Included in prepaid lease payments is a prepayment for a land use right for which the Group had not been granted formal title. A subsidiary of the Group has paid the full purchase consideration of HK$14,850,000 in previous year but the government authority has not yet granted formal title to such land use right. Such land has not been in use since the prepayment date.

As at 31st December, 2008, the directors of the Company considered the facts that (i) the business plan regarding such land was suspended due to change in the economic environment; (ii) there exists uncertainties as to the timing for the Group to obtain the legal title of land use right; and (iii) the insignificant recoverable amount of such prepayment which is calculated based on fair value less cost to sell on the assumption that the Group is unable to obtain formal title to the land use right. Accordingly, an impairment loss of approximately HK$6,835,000 was made in respect of the prepayment for the land use right and recognised in the consolidated statement of comprehensive incomes during the year ended 31st December, 2008 and accordingly, the prepayment for the land use right was fully impaired as at 31st December, 2008.

At 31st December, 2009, the Group has pledged a land use right with a carrying value of approximately HK$9,304,000 (2008: HK$9,487,000) to a bank to secure a short-term bank loan granted to a subsidiary.

15. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	33,261	33,261
Deemed capital contribution in subsidiaries	57,883	57,883
Less: Accumulated impairment	(33,261)	(33,261)
	57,883	57,883

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

Before making any advances to any subsidiaries, the Company will review the subsidiary's credit quality and defines its credit limit. Loan receivables are advanced to subsidiaries with appropriate credit history. Credit limit attributed to subsidiaries are reviewed regularly.

At the end of the reporting period, the Company reviews the carrying amounts of the amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount due from a subsidiary is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

The recoverable amounts have been determined based on the present value of the future cash flows expected to be derived from the subsidiaries, taking into account their subsequent recovery. At 31st December, 2009 and 2008, the amounts due from subsidiaroes amount to HK$623,078,000 and HK$684,321,000, respectively, net of impairment loss on the amounts due from subsidaries of HK$1,025,045,000 and HK$974,045,000, respectively.

While the loans carry no interest, the initial carrying amounts of the loans were determined by discounting the principal amount at their original effective interest rates of 5.3% , with the difference recognised as deemed capital contribution to in the subsidiaries. Imputed interest income on the amounts due from subsidiaries of HK$33,374,000 (2008: HK$9,980,000) was recognised in the statement of comprehensive income of the Company for year ended 31st December, 2009.

At 31st December, 2009 and 2008, except for the amounts due from subsidiaries being impaired, all the Company's remaining amounts due from subsidiaries are not impaired at the reporting date since a significant amount of remaining balance were recovered. In addition, the Company does not hold any collateral over this balance.

The principal activities of the principal subsidiaries are set out in note 40.

16. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE/AMOUNT DUE TO A SUBSIDIARY OF AN ASSOCIATE

(a) Cost of investment in associate

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Unlisted	—	386
Share of post-acquisition losses	—	(386)
	—	—

The Group's principal associate, Wing Fung Metal and Equipment Company Limited, 20% equity interest in which was held by a 80% owned subsidiary of the Company, incorporated in Hong Kong, was engaged in manufacturing of battery products. It had been deregistered during the year.

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

	2009	2008
	HK$'000	HK$'000
Total assets	—	10,734
Total liabilities	—	(11,153)
Net liabilities	—	(419)
Group's share of net assets of associate	—	—
Revenue	4	—
Loss for the year	(630)	(27)
Group's share of results of associate for the year	—	—

The Group has discontinued recognition of its share of losses of the associate. The amounts of unrecognised share of this associate, extracted from the relevant management accounts of the associate, both for the year and cumulatively, are as follows:

	2009	2008
	HK$'000	HK$'000
Unrecognised share of losses of associate for the year	(101)	(4)
Accumulated unrecognised share of losses of associate	(252)	(151)

16. INVESTMENT IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE/AMOUNT DUE TO A SUBSIDIARY OF AN ASSOCIATE

(b) Amount due from an associate

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Amount due from an associate	—	7,101

The amount was unsecured, non-interest bearing and repayable on demand. The amount was set off against the amount due to a subsidiary of the associate upon deregistration of the associate.

(c) Amount due to a subsidiary of an associate

The amount was unsecured, non-interest bearing and repayable on demand. The balance was set-off against the amount due from an associate upon deregistration of the associate.

17. CLUB DEBENTURES

THE GROUP AND THE COMPANY

The club debentures represent the club memberships of Macau Golf & Country Club and Aberdeen Marine Club. The directors are of opinion that it is not necessary to make any impairment loss of the club debentures since the quoted prices are higher than their carrying values.

18. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	1,854	6,103
Unlisted investments, at cost less impairment loss:		
– Equity securities	2,035	2,035
Total	3,889	8,138
Analysed for reporting purposes as:		
Current assets	—	—
Non-current assets	3,889	8,138
	3,889	8,138

At the end of the reporting period, all available-for-sale investments are stated at fair value, except for those unlisted investments of which the fair values cannot be measured reliably. Fair values of the listed investments have been determined with reference to bid prices quoted in active markets.

The carrying values of unlisted investments at 31st December, 2009 and 2008 comprise 16.4% equity interests in Beijing Technology Development Fund LDC, a company incorporated in the Cayman Islands and engaged in investment venture business.

The unlisted investments are measured at cost less impairment loss at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At 31st December, 2008, the Group reviews the carrying amounts of the unlisted investments due to the significant decline in performance of the investment venture business of Beijing Technology Development Fund LDC. The recoverable amount has been determined based on present value of the future cash flows expected to be derived from the unlisted investments. During the year ended 31st December, 2008, the Group recognised an impairment loss of HK$9,673,000.

At 31st December, 2008, the Group reviewed the carrying amounts of the listed investment due to the significant and prolonged decline in the stock price as at 31st December, 2008. The recoverable amount has been determined based on the quoted market bid price. During the year ended 31st December, 2008, the Group recognised an impairment loss of HK$12,923,000.

At 31st December, 2009, no further impairment was recognised.

19. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Raw materials	1,178	2,739

20. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Trade receivables	1,508	1,803
Less: allowance for doubtful debts	(740)	(740)
	768	1,063

The Group normally allows its trade customers credit period ranging from 90 days to 180 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of reporting period:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0-90 days	768	914
Over 90 days	—	149
	768	1,063

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limit. Credit sales are made to customers with appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting periods, the directors considered the trade receivables which were neither past due nor impaired were of good credit quality.

20. TRADE AND OTHER RECEIVABLES – continued

At 31st December, 2008, included in the Group's trade receivable balance were debtors with aggregate carrying amount of approximately HK$149,000 (2009: Nil) which were past due at the reporting date for which the Group had not provided for impairment loss. There had not been significant change in credit quality and the directors of the Company considered the amounts were still recoverable. The Group did not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired based on payment due date:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0-90 days	—	149

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At 1st January	740	699
Exchange adjustments	—	41
Amounts written off as uncollectible	—	—
Impairment losses reversed	—	—
At 31st December	740	740

Included in other receivables is unrestricted deposits of approximately HK$28,448,000 (2008: HK$53,999,000) placed with securities brokers for trading securities in Hong Kong which is non-interest bearing. The remaining balance of other receivables is unsecured, interest-free and repayable on demand.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	304,134	390,521
Bonds listed in Singapore with fixed interest rate of 9.75% and maturity date on 23rd July, 2014	70,306	—
	374,440	390,521
Unlisted debt securities designated as financial assets at FVTPL:		
Convertible notes issued by a Hong Kong listed issuer	13,109	9,060
	387,549	399,581

During the year ended 31st December, 2008, the Group acquired convertible notes of principal amount of HK$9,600,000, issued by a Hong Kong listed issuer. The convertible notes with zero-coupon rate and maturity date of 14th October, 2011 are redeemable on maturity date at principal amount.

The Group had the right, at any time until the date falling 7 days before (and excluding) the maturity date, to convert the whole or part of the outstanding principal amount of the convertible notes into ordinary shares in the issued share capital of the issuer at HK$0.06 each, by giving prior written notice to the issuer. The convertible notes have no early redemption option.

The hybrid instrument comprising debt component and conversion component of the convertible notes was initially measured at fair value. During the year ended 31st December, 2009, an increase in fair value of HK$4,049,000 (2008: decrease of HK$540,000) was recognised in the consolidated statement of comprehensive income.

The fair value of the debt component of the convertible notes at 31st December, 2009 is determined using the prevailing market interest rate of 7.08% (2008: 13.84%).

The fair value of the conversion component of the convertible notes at 31st December, 2009 and 2008 is determined using Black Scholes Model with the following assumptions:

	31.12.2009	31.12.2008
Share price:	HK$1.640	HK$0.050
Exercise price (Note):	HK$1.478	HK$0.060
Expected life:	1.79 years	2.79 years
Expected volatility:	73.31%	56.0%
Dividend yield:	Nil	Nil
Risk-free rate:	0.4538%	0.786%

Note: Exercises price has been adjusted according to the announcement of the issuer on 6th April, 2009 and 3rd July, 2009, and the price was changed to HK$1.5 and HK$1.478 respectively.

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group and the Company. The amounts carry interest at 0.01% to 0.26% (2008: 0.15% to 4.72%) per annum.

23. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Included in trade payables, other payables and accrued charges are trade payables of approximately HK$1,803,000 (2008: HK$3,282,000) with the following aged analysis at the end of the reporting period:

	THE GROUP	
	2009 HK$'000	2008 HK$'000
0-90 days	405	859
91-180 days	175	1,641
Over 180 days	1,223	782
	1,803	3,282

The average credit period on purchases of goods is 90 days.

Included in other payables is balances payable to an investment broker of approximately HK$904,000 (2008: HK$37,209,000) for acquisition of investments held for trading, payable 2 days after the transaction date. The remaining balances are unsecured, interest-free and repayable on demand.

24. LOAN PAYABLES

The loan payables of the Group are payable to independent third parties, unsecured and repayable on demand. Except for the amount of approximately HK$3,352,000 (2008: HK$3,352,000) which is non-interest bearing, all remaining amounts carry interest at Hong Kong Prime Rate plus spread ranging from 2% to 6% (2008: 6% to 9%) per annum.

25. BANK BORROWINGS

	THE GROUP	
	2009 HK$'000	2008 HK$'000
Secured bank borrowings repayable within one year	22,727	15,306

The amount represents variable-rate bank borrowings which carried interest at prevailing market rate ranging from 5.31% to 5.84% (2008: 6% to 8%) per annum.

26. CONVERTIBLE NOTES

On 5th November, 2007 and 7th January, 2008, convertible notes with principal amounts of HK$146,850,000 and HK$1,173,150,000 ("Convertible Notes") were issued respectively. The Convertible Notes are denominated in Hong Kong dollars, non-interest bearing and redeemable on its maturity date on 31st December, 2010. The conversion price, subject to anti-dilutive adjustments, shall be HK$0.33 per share from the date of issue of the convertible notes up to 31st December, 2008, HK$0.36 per share from 1st January, 2009 to 31st December, 2009, and HK$0.39 per share from 1st January, 2010 to the maturity date.

The Convertible Notes holders had the right, at any time before the maturity date of 31st December, 2010, to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares in the issued share capital of the Company of HK$0.1 par value each, by giving prior written notice to the Company.

The Company had the right to early redeem the Convertible Notes, at any time before the maturity date on 31st December, 2010, by giving not less than 7 business days' prior written notice to the Convertible Note holders at the principal amounts of the Convertible Notes so redeemed.

On initial recognition, the fair value of the liability component of Convertible Notes is determined using the prevailing market interest rate of similar non-convertible debts at 10.32% per annum. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the Convertible Notes into equity, is included in equity (convertible notes reserve).

In November, 2008, the company early redeemed Convertible Notes with principal amount of HK$311,101,000. In January, 2009 and March, 2009, the Company early redeemed Convertible Notes with a principal amount of HK$307,560,000 and HK$100,000,000, respectively.

The movement of the liability component of the Convertible Notes for the year ended 31st December, 2009 and 2008 is set out below:

	THE GROUP AND THE COMPANY HK$'000
At 1st January, 2008	120,488
Issue of Convertible Notes	868,231
Effective interest expenses	95,383
Early redemption of Convertible Notes	(255,101)
At 1st January, 2009	829,001
Effective interest expenses	38,004
Early redemption of Convertible Notes	(336,526)
Conversion of Convertible Notes (Note 28(b))	(530,479)
At 31st December, 2009	—

27. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its furniture and fixtures under finance leases. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates of 8.44% (2008: 8.44%) per annum. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Amounts payable under finance leases				
Within one year	33	33	26	26
In more than one year but not more than two years	7	33	5	26
In more than two years but not more than five years	—	7	—	5
	40	73	31	57
Less: future finance charges	(9)	(16)		
Present value of lease obligations	31	57		
Less: Amount due within one year			(26)	(26)
Amount due after one year			5	31

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

28. SHARE CAPITAL OF THE COMPANY

	Notes	Number of shares	Value HK$'000
Authorised:			
Ordinary shares of HK$0.10 each at 1st January, 2008, 31st December, 2008 and 31st December, 2009		8,000,000,000	800,000
Issued and fully paid:			
Ordinary shares of HK$0.10 each at 1st January, 2008		528,797,543	52,880
Issue of shares	(a)	1,500,000,000	150,000
At 31st December, 2008		2,028,797,543	202,880
Conversion of convertible notes	(b)	1,670,386,384	167,038
At 31st December, 2009		3,699,183,927	369,918

Note:

(a) On 23rd August, 2007, two placing agreements ("Placing Agreements") were entered into with an independent placing agent ("Placing Agent"), pursuant to which the Company has appointed the Placing Agent to place 1,588,000,000 ordinary shares of HK$0.10 each ("Placing Shares") in the Company at a price of HK$0.33 per Placing Share for the period from 23rd August, 2007 to 4 working days after 31st December, 2007. The issue price of HK$0.33 represented a discount of 11.53% to the average of the closing price of about HK$0.373 per share of the last five trading days up to and including 23rd August, 2007.

88,000,000 of the Placing Shares were issued under the general mandate granted to the Directors on 6th June, 2007. The net proceeds of HK$28,254,000 was used for general working capital of the Group. The transaction was completed on 24th September, 2007.

1,500,000,000 Placing Shares were issued under the special mandate granted to the Directors of the Company on 2nd October, 2007. The net proceeds of HK$482,625,000 was initially used for possible investment opportunities. The transaction was completed on 7th January, 2008.

Details of the above are set out in the announcements to the shareholders of the Company dated 30th August, 2007 and the circular of the Company dated 14th September, 2007.

On 7th March, 2008, and 30th October, 2008, the Company announced the change of use of the proceeds from the share placing, the net proceeds was to be used for general working capital and/or redemption of existing convertible notes.

(b) On 3rd August, 4th August and 17th November, 2009, 100,000,000, 200,000,000 and 1,370,386,384 shares of the Company of HK$0.10 each were issued upon conversion of Convertible Notes with aggregate principal amount of HK$36,000,000, HK$72,000,000 and HK$493,339,000, respectively.

29. SHARE-BASED PAYMENT TRANSACTIONS

On 4th June, 2002, the Company adopted a share option scheme ("2002 Scheme") which is effective for a period of ten years for the primary purpose of providing incentives to directors and eligible participants. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible participants, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK$1. Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options granted are exercisable not later than ten years after the date the options are granted. The exercise price, subject to adjustments, is determined by the board of directors of the Company and will not be less than the highest of (i) the closing price of the Company's share on the date of options granted; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 202,879,754 shares, representing 10% of the issued share capital of the Company as at the date of adoption of 2002 Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities of The Stock Exchange (the "Listing Rules") from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the aggregate number of shares of the Company in issue and issuable under 2002 Scheme at any point in time, without prior approval from the Company's shareholders.

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

The following table discloses movements of the Company's share options held by eligible participants and directors during the year:

				Number of Shares					
	Date of grant	Exercisable period	Exercise price HK$	At 1.1.2008	Granted during the year	Lapsed during the year	At 1.1.2009	Lapsed during the year	At 31.12.2009
Eligible participants	10.7.2007	10.7.2007 to 9.7.2012	0.724	20,400,000	—	—	20,400,000	—	20,400,000
	4.11.2008	4.11.2008 to 3.11.2009	0.580	—	4,000,000	—	4,000,000	(4,000,000)	—
				20,400,000	4,000,000	—	24,400,000	(4,000,000)	20,400,000
Executive directors:									
Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,400,000	—	—	4,400,000	—	4,400,000
Kwok Ka Lap, Alva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,000,000	—	(4,000,000)	—	—	—
Zhang Hong Ren	19.3.2008	19.3.2008 to 14.2.2014	0.580	—	4,000,000	(4,000,000)	—	—	—
Zhang Hong Ren	19.3.2008	15.2.2009 to 14.2.2014	0.580	—	2,000,000	(2,000,000)	—	—	—
Zhang Hong Ren	19.3.2008	15.2.2010 to 14.2.2014	0.580	—	3,000,000	(3,000,000)	—	—	—
Zhang Hong Ren	19.3.2008	15.2.2011 to 14.2.2014	0.580	—	3,000,000	(3,000,000)	—	—	—
Zhang Hong Ren	19.3.2008	15.2.2012 to 14.2.2014	0.580	—	4,000,000	(4,000,000)	—	—	—
Zhang Hong Ren	19.3.2008	15.2.2013 to 14.2.2014	0.580	—	4,000,000	(4,000,000)	—	—	—
				8,400,000	20,000,000	(24,000,000)	4,400,000	—	4,400,000
				28,800,000	24,000,000	(24,000,000)	28,800,000	(4,000,000)	24,800,000
Exercisable at the end of the year									24,800,000
Weighted average exercise price				HK$0.724	HK$0.580	HK$0.580	HK$0.704	HK$0.580	HK$0.724

During the year ended 31st December, 2009, no share options granted had been exercised.

During the year ended 31st December 2008, share options were granted on 19th March, 2008 and 4th November, 2008. The fair values of the options determined at the dates of grant using the Black-Scholes pricing model amounted to an aggregate of HK$3,066,000, and were recognised in the consolidated statement of comprehensive income for the year ended 31st December, 2008. The total number of shares available for issue under the 2002 Scheme is 178,879,754 which represent 4.84% of the issued share capital of the Company as at 31st December, 2009.

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

The following assumptions were used to calculate the fair values of share options.

	Granted on 19.3.2008	Granted on 4.11.2008	Granted on 10.7.2007
Grant date share price	HK$0.52	HK$0.12	HK$0.67
Option exercisable period	19.3.2008 to 14.2.2014	4.11.2008 to 3.11.2009	10.7.2007 to 9.7.2012
Exercise price	HK$0.580	HK$0.580	HK$0.724
Expected life	3.0 to 5.4 years	1 year	2.5 years
Expected volatility	110.99%-125.86%	46.70%	102.86%
Dividend yield	Nil	Nil	Nil
Risk-free interest rate	1.35%-1.95%	0.55%	4.44%
Fair value of option per share	HK$0.370-HK$0.421	HK$0.000012	HK$0.3955

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain objective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous two years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The closing price of the Company's shares immediately before 19th March, 2008, 4th November, 2008 and 10th July, 2007, the dates of grant of options, were HK$0.52, HK$0.12 and HK$0.69 respectively.

30. RESERVES OF THE COMPANY

	Share premium HK$'000	Special capital reserve HK$'000	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1st January, 2008	19,454	1,267	11,392	19,667	233	(135,065)	(83,052)
Loss for the year and total recognised expense for the year	—	—	—	—	—	(243,475)	(243,475)
Issue of shares	345,000	—	—	—	—	—	345,000
Transaction cost attributable to issue of share	(12,375)	—	—	—	—	—	(12,375)
Issue of convertible notes	—	—	—	282,656	—	—	282,656
Transaction cost attributable to issue of convertible notes	—	—	—	(7,066)	—	—	(7,066)
Redemption of convertible notes	—	—	—	(75,664)	—	—	(75,664)
Recognition of equity settled share-based payments	—	—	3,066	—	—	—	3,066
Lapse of share options	—	—	(3,061)	—	—	3,061	—
Deferred tax liability on recognition of equity component of convertible notes	—	—	—	(45,472)	—	—	(45,472)
Reversal of deferred tax liability recognised on redemption of equity component of convertible notes	—	—	—	11,119	—	—	11,119
Effect of change in tax rate	—	—	—	239	—	—	239
At 1st January, 2009	352,079	1,267	11,397	185,479	233	(375,479)	174,976
Loss for the year and total recognised expense for the year	—	—	—	—	—	(82,198)	(82,198)
Redemption of convertible notes	—	—	—	(71,034)	—	71,034	—
Reversal of deferred tax liability recognised on redemption of equity component of convertible notes	—	—	—	6,788	—	—	6,788
Conversion of convertible notes	494,163	—	—	(121,233)	—	—	372,930
At 31st December, 2009	846,242	1,267	11,397	—	233	(386,643)	472,496

The special capital reserve of the Company at 1st January, 2008 represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

The directors of the Company do not recommend the payment of any final dividend for the year ended 31st December, 2009 (2008: Nil).

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities provided by the Group and the Company in respect of the convertible notes issued as at the end of the reporting periods and the movements thereon during the current and prior reporting periods:

	THE GROUP AND THE COMPANY HK$'000
At 1st January, 2008	4,172
Charge to equity for the year	45,472
Reversal on redemption of equity component of convertible notes	(11,119)
Reversal on amortisation of liability component of convertible notes	(15,738)
Effect of change in tax rate	(239)
At 31st December, 2008	22,548
Reversal on redemption of equity component of convertible notes (note 26)	(6,788)
Reversal on amortisation of liability component of convertible notes	(6,271)
Reversal on conversion of convertible notes (note 26)	(9,489)
At 31st December, 2009	—

As at 31st December, 2009, the Group and the Company have unused tax losses of approximately HK$267,137,000 and HK$26,993,000 respectively (2008: HK$331,931,000 and HK$11,780,000) respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

As at 31st December, 2008, the Group and the Company have deductible temporary differences in respect of allowances on doubtful debts of approximately HK$250,624,000 and HK$160,882,000 respectively (2009: HK$250,624,000 and HK$160,132,000) respectively. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. CAPITAL RISK MANAGEMENT

The Group and the Company manage their 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 and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the borrowings and convertibles notes disclosed in notes 25 and 26, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The capital structure of the Company consists of debt, which represents the convertible notes disclosed in note 26, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new debt and redemption of existing debt.

33. FINANCIAL INSTRUMENTS

33a. Categories of financial instruments

	THE GROUP		THE COMPANY	
Statement of financial position	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	529,903	848,470	824,712	1,318,522
Available-for-sale financial assets	3,889	8,138	—	—
Fair value through profit or loss				
Held for trading	374,440	390,521	—	—
Designated at FVTPL	13,109	9,060	—	—
Financial liabilities				
Amortised cost	94,228	972,868	58,685	924,192

33. FINANCIAL INSTRUMENTS – continued

33b. Statement of comprehensive income

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Available-for-sale investments				
Impairment loss	—	(22,596)	—	—
Gain on disposals	4,552	1,557	—	—
	4,552	(21,039)	—	—
Financial assets at FVTPL - Held for trading				
Fair value changes	140,552	(326,191)	—	—
Financial assets at FVTPL - Designated at FVTPL				
Fair value changes	4,049	(540)	—	—

33c. Financial risk management objectives and policies

The major financial instruments of the Group and the Company include trade receivables, other receivables, available-for-sale investments, investments held for trading, convertible notes, amounts due from/to subsidiaries, trade and other payables, loan payables, bank balances and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, other price risk and currency 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.

33. FINANCIAL INSTRUMENTS – continued

33c. Financial risk management objectives and policies – continued

Market risk

(i) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to the debt element of the convertible notes issued by a Hong Kong Listed issuer (included in financial assets at FVTPL) and fixed-rate obligations under finance leases. The Group and the Company currently do not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. No sensitivity analysis was prepared since the directors consider the amount involved is not significant.

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances, loan payables and bank borrowings. It is the policy of the Group to keep its borrowings at floating rate of interests so as to minimise the interest rate risk. No sensitivity analysis was prepared, for bank balances, since the directors consider the amount involved is not significant.

The exposures of the Group and the Company to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offer Rate arising from loan payables and bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the non-derivative instruments (including loan payables and bank borrowings) of the Group at the end of the reporting period. The analysis is prepared assuming the amount of non-derivative instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the loss for the year ended 31st December, 2009 of the Group would increase/decrease by HK$451,000 (2008: decrease/increase by HK$396,000).

33. FINANCIAL INSTRUMENTS – continued

33c. Financial risk management objectives and policies – continued

Market risk – continued

(ii) *Other price risk - Investments in equity securities*

The Group is exposed to equity price risk through its investments in listed and unlisted securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange in respect of these unlisted securities. The Group does not have any policy to hedge against such risk. No sensitivity analysis was prepared in respect of these unlisted securities since the directors consider the amount involved is not significant.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks, excluding unlisted investments which are measured at cost less impairment, at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 25% in the current year as a result of the volatile financial market.

If the prices of the respective equity securities had been 25% (2008: 25%) higher/lower:

- loss for the year ended 31st December, 2009 would decrease/ increase by HK$78,164,000 (2008: HK$81,521,000) as a result of the changes in fair value of investments held for trading; and
- investment valuation reserve would increase by HK$972,000/ loss for the year ended 31st December 2009 would increase by HK$972,000 (2008: investment valuation reserve would increase by HK$2,035,000/ loss for the year would be increased by HK$2,035,000) for the Group as a result of the changes in fair value of available-for-sale investments.

(iii) *Currency risk*

Most of the Group's transactions are denominated in the group entities' functional currency, which is either Renminbi ("RMB") or Hong Kong dollar ("HKD"). The Group's exposure to foreign currency risk regarding these transactions is insignificant.

However, the Group is exposed to foreign currency risk to the extent of intra-group loans when the subsidiaries which have HKD as their functional currency raised funding denominated in HKD for operations in the PRC which have RMB as their functional currency. The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis was prepared since the directors consider the amount involved is not significant.

33. FINANCIAL INSTRUMENTS – continued

33c. Financial risk management objectives and policies – continued

Credit risk

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

- the cash held in financial institutions;
- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 34.

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

The Group has concentrations of credit risk comprising deposits placed at three financial institutions for the Group's investment in securities business of HK$27,458,000 (2008: deposits placed at two financial institutions HK$53,999,000) which represents, approximately 97% (2008: 100%) of the Group's deposit placed with securities brokers, and other receivable of HK$16,896,000 (2008: HK$8,889,000) due from a single counter party. The management considered the credit risk on such balances held at financial institutions and the counter party is limited because the financial institutions are with good reputation and the single counter party which has its shares listed on the Hong Kong Stock Exchange is in good financial position.

At 31st December, 2009, approximately 40% (2008: 66%) of the Group's trade receivables were due from the five largest customers within battery business segment. The management performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of trade receivables from the five largest customers falls within the expectation of the directors. The management currently is seeking new customers' base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentrations of credit risk.

The credit risk of the Company on amounts due from subsidiaries is limited because the directors of the Company consider that the recoverable amount exceeds the carrying amount of amounts due from subsidiaries. The recoverable amounts of the amounts due from subsidiaries is determined based on the present value of the future cash flows expected to be derived from the subsidiaries.

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

33. FINANCIAL INSTRUMENTS – continued

33c. Financial risk management objectives and policies – continued

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following tables detail the remaining contractual maturity of the Group and the Company for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company 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

Liquidity tables

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	—	4,098	—	—	—	4,098	4,098
Loan payables	4.20	67,799	—	—	—	67,799	67,403
Bank borrowings	5.31	—	—	23,029	—	23,029	22,727
Obligations under finance leases	8.44	2	5	22	7	36	31
		71,899	5	23,051	7	94,962	94,259

33. FINANCIAL INSTRUMENTS – continued

33c. Financial risk management objectives and policies – continued

Liquidity risk – continued

THE GROUP – continued

Liquidity tables – continued

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	—	54,137	859	2,423	—	57,419	57,419
Amount due to a susbidiary of an associate	—	7,239	—	—	—	7,239	7,239
Loan payables	7.41	68,638	—	—	—	68,638	63,903
Bank borrowings	7.04	—	—	16,383	—	16,383	15,306
Obligations under finance leases	8.44	2	4	21	33	60	57
Convertible notes	10.32	—	—	—	1,008,899	1,008,899	829,001
		130,016	863	18,827	1,008,932	1,158,638	972,925

The amounts inclued above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those of interest rates determined at the end of the reporting period.

33. FINANCIAL INSTRUMENTS – continued

33c. Financial risk management objectives and policies – continued

Liquidity risk– continued

THE COMPANY

Liquidity tables

	Weighted average effective interest rate	Less than 1 month	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000
2009					
Non-derivative financial liabilities					
Other payables	—	756	—	756	756
Amounts due to subsidiaries	—	57,929	—	57,929	57,929
		58,685	—	58,685	58,685

	Weighted average effective interest rate	Less than 1 month	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000
2008					
Non-derivative financial liabilities					
Other payables	—	3,222	—	3,222	3,222
Amounts due to subsidiaries	—	91,969	—	91,969	91,969
Convertible notes	10.32	—	1,008,899	1,008,899	829,001
		95,191	1,008,899	1,104,090	924,192

The cash flow of variable interest rate instruments is based on the rate outstanding at the end of the reporting period.

33. FINANCIAL INSTRUMENTS – continued

33d. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Non-derivative financial assets held for trading	374,440	—	13,109	387,549
Available-for-sale				
Listed equity securities	1,854	—	—	1,854

There is no transfer between Level 1 and 2 in the current year.

There is no transfer into/out of level 3 in the current year. Of the HK$144,601,000 gain on financial assets at FVTPL, HK$4,049,000 related to the Level 3 unlisted convertible debt securities held at the end of the reporting period.

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Corporate guarantee given to banks, in respect of banking facilities granted to a subsidiary	—	—	—	13,500

During the year ended 31st December, 2008, the Company issued guarantee of HK$13,500,000 (2009: Nil) and indemnity to a bank for the banking facilities granted to a non-wholly owned subsidiary and the amount utilised by that non-wholly owned subsidiary as at 31st December, 2008 was HK$3,573,000 (2009: nil).

35. OPERATING LEASES

The Group as lessee

The Group made approximately HK$1,006,000 (2008: HK$1,109,000) minimum lease payments under operating leases during the year in respect of certain of its office premises.

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

	THE GROUP		THE COMPANY	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Within one year	176	1,688	—	1,512
In the second to third years inclusive	110	1,381	—	1,094
	286	3,069	—	2,606

Operating lease payments represented rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for an average term of one to two years and rentals are fixed for an average of one to two years.

36. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	—	8,218
– Acquisition of a subsidiary	13,903,000	—

37. PLEDGE OF ASSETS

(a) At 31st December, 2009, available-for-sale investments and investments held for trading with a carrying value of HK$1,854,000 (2008: HK$6,103,000) and HK$3,526,000 (2008: HK$1,094,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2009 and 2008, no margin loan facility was utilised by the Group and there is no restriction on trading of these available-for-investments as investments help for trading.

(b) At 31st December, 2009, land use right (included in prepaid lease payments) with a carrying value of approximately HK$9,304,000 (2008: HK$9,487,000) and a building (included in property, plant and equipment) with a carrying amount of HK$11,491,000 (2008: nil) were pledged to secure a short-term bank loan granted to a subsidiary.

38. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year ended 31st December, 2008, the Company granted 20,000,000 share options to its directors, as set out in note 29.

Other than as set out above, the Group and the Company have no transactions with its related parties during the years ended 31st December, 2009 and 2008.

(ii) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position, the statement of financial position and the respective notes.

(iii) Compensation of key management personnel

The remuneration of directors who are also identified as members of key management during both years is set out in note 11.

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

39. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The employees contributes 5% of the relevant payroll costs to the scheme with a maximum amount of HK$1,000 which contribution is matched by the Group.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The employees in the Group's wholly own subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The wholly own subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme. The amount of contributions payable to the pension schemes are charged to the statement of comprehensive income.

The total cost charged to statement of comprehensive income of approximately HK$200,000 (2008: HK$410,000) represents contributions payable to these schemes by the Group in respect of the current year.

40. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2009 and 31st December, 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activity
Rich Crown Investments Limited (note a)	Hong Kong	HK$1	—	100	Investments in securities
Sun Million Inc.	BVI	US$1	—	100	Investment holding
Uni Dragon International Limited	BVI	US$1	—	100	Investment holding
Super Energy Battery Industries Limited (note a)	Hong Kong	HK$2,500,000	—	80	Investment holding and trading of battery products
Super Energy Group Limited (note a)	Hong Kong	HK$13,000,000	—	80	Investment holding and trading of battery products
Talent Cosmos Limited (note a)	BVI	US$13,000	—	80	Investment holding
Wealthy Gain Limited (note a)	BVI	US$1	100	—	Investments in securities
台山市超量電池有限公司 (「台山市超量」) (note b)	PRC	RMB9,183,763	—	80 (note b)	Manufacturing of battery products
台山市信威電池有限公司 (「台山市信威」) (note c)	PRC	US$9,171,795	—	100	Manufacturing of battery products

Notes:

a. These companies are limited liability companies incorporated in the respective jurisdiction.

b. 台山市超量 is a non wholly owned foreign enterprise in which Super Energy Battery Industries Limited and the Group holds effective 80% interest.

c. 台山市信威 is a wholly owned foreign enterprise in PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the Group's assets and liabilities. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

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

41. EVENT AFTER THE REPORTING PERIOD

(a) The Company has been looking for opportunities to diversify its income and asset base with a view to enhancing Shareholders' value.

On 16th March, 2010, the Company held an extraordinary general meeting, in which, among other things, the shareholders approved a proposal very substantial acquisition to acquire 97.57% of the issued share capital of Nan Shan Life Insurance Company, Ltd. ("Nan Shan"). Nan Shan is a well-established insurance company in Taiwan and as such, the Company is of the view that the Acquisition represents a unique opportunity for the Company to diversify its business.

In contemplation of such acquisition, on 20th August, 2009 and 9th November, 2009, the Company has entered into a Convertible note placing agreement and a conditional share placing agreement, respectively, with a placing agent.

Pursuant to the convertible note placing agreement, the Company has agreed to issue, and the placing agent has agreed to procure subscribers for convertible notes with principal amount of HK$7,800,000,000.

Pursuant to the conditional share placing agreement, the Company has conditionally agreed to place the Placing Shares of HK$0.10 each in the share capital of the Company at placing price of HK$0.10, at a net proceeds of approximately HK$3,960,000,000.

Details of the acquisition, the placing of convertible notes and placing of the Placing Shares are set out in the Company's circular dated 27th February, 2010 and are summarised as below:

On 13th October, 2009, Primus Nan-Shan Holding Company Ltd. (the "Purchaser"), a subsidiary of the Group in which the Group indirectly owns 80% and Primus Financial Holdings Ltd., a private equity fund owns 20%, entered into a conditional sale and purchase agreement with American International Group, Inc ("AIG"), an independent third party, (the "Sale and Purchase Agreement") pursuant to which AIG and the Purchaser agreed, among other things, that AIG will sell 97.57% of the issued share capital of Nan Shan at a cash consideration of approximately US$2.146 billion (equivalent to approximately HK$16,739 billion). Upon completion of the Acquisition, the Group will hold an effective interest of 78.06% in Nan Shan.

41. EVENT AFTER THE REPORTING PERIOD – continued

The carrying value of net assets of Nan Shan to be acquired in the acquisition as at 31st August, 2009, as set out in the Company's circular dated 27th February, 2010, are as follows:

	Carrying amount of the acquiree HK$'000
Net assets to acquire:	
Property and equipment	2,905,988
Investment properties	5,128,013
Other assets	529,180
Financial assets	308,737,407
Investment-linked product assets	25,662,244
Income tax receivable	1,415,213
Accrued investment income	5,183,100
Deferred acquisition cost	26,071,013
Bank balances and cash	40,118,325
Insurance contract liabilities	(326,747,119)
Deferred tax liabilities	(5,613,563)
Investment-linked product liabilities	(25,662,244)
Investment contract liabilities	(15,844)
Derivative financial instruments	(241,313)
Policyholder dividend and other insurance payables	(3,006,656)
Other payables and accrued expenses	(2,110,388)
	52,353,356

The fair value of the assets and liabilities to be acquired shall be assessed on the date of completion of the acquisition. At 31st December, 2009 and the date of approval of these financial statements, the valuation of each component of the assets acquired and liabilities assumed is subject to finalisation, which involve the work by independent valuer and actuarial. The directors of the Company are of the opinion that such valuation would not be available at the date of approval of these financial statements.

41. EVENT AFTER THE REPORTING PERIOD – continued

Pursuant to the Sale and Purchase Agreement, the acquisition is conditional, subject to (i) the availability of financing of a maximum of US$700 million from Taiwan Cooperative Bank and First Commercial Bank Co., Ltd, to the Purchaser and (ii) to obtain approval by the Financial Supervisory Commission, the Investment Commission, Ministry of Economic Affairs, the Fair Trade Commission and Executive Yuan in the Republic of China (the "ROC") and the Bermuda Monetary Authority for the Acquisition. At the date of approval of these financial statements, such debt financing and approvals are not yet obtained and the acquisition and placing of convertible notes and placing of shares has not yet been completed.

(b) On 17th November, 2009, the Company has also entered into a memorandum of understand (the "MOU") with Chinatrust Financial Holdings Co. Ltd. ("Chinatrust"), an independent third party pursuant to which, the Company and Chinatrust agreed that, conditionally upon the completion of the Acquisition, the Company and Chinatrust will enter into relevant transaction documentation and it is the intention of the Company and Chinatrust that: (i) the Company will subscribe 1,172,100,000 shares in Chinatrust, representing approximately 9.95% of the entire issued share capital of Chinatrust, for an issue price of NT$17.74 (equivalent to approximately HK$4.32) per share; (ii) the Company will sell and Chinatrust will buy 30% of the entire issued share capital of Nan Shan at a purchase price of approximately US$660,010,000 (equivalent to approximately HK$5,148,078,000); and (iii) the Company, Chinatrust and the relevant parties will, within three years from the MOU, entered into negotiations to increase the Company's shareholding in Chinatrust and the Chinatrust's shareholding in Nan Shan.

(A) RESULTS

	For the year ended 31st December,				
	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	33,161	32,846	45,717	18,699	8,246
Loss before tax	(77,304)	(43,651)	(33,775)	(468,103)	(56,735)
Taxation	(4,247)	(5,782)	(6,595)	15,738	5,042
Loss for the year from continuing operations	(81,551)	(49,433)	(40,370)	(452,365)	(51,693)
Discontinued operations					
Loss for the year from discontinued operations	(5,487)	(9,818)	—	—	—
Loss for the year	(87,038)	(59,251)	(40,370)	(452,365)	(51,693)
Attributable to:					
Owners of the Company	(81,829)	(38,417)	(40,369)	(452,365)	(51,686)
Minority interests	(5,209)	(20,834)	(1)	—	(7)
	(87,038)	(59,251)	(40,370)	(452,365)	(51,693)

(B) ASSETS AND LIABILITIES

	At 31st December,				
	2005	2006	2007	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	1,958,869	267,605	422,522	1,362,240	953,661
Total liabilities	(303,300)	(116,512)	(277,456)	(1,013,142)	(108,781)
	1,655,569	151,093	145,066	349,098	844,880
Equity attributable to owners of the Company	1,325,314	150,831	144,805	348,837	844,626
Minority interests	330,255	262	261	261	254
	1,655,569	151,093	145,066	349,098	844,880