MASTERMIND CAPITAL LIMITED
慧德投資有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 905)

Annual Report 2009

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Mr. Mung Kin Keung *(Chairman)*
Mr. Ha Wing Ho, Peter
Mr. Leong Chi Wai
Mr. Leung King Yue, Alex

Independent Non-executive Directors:
Mr. Chee Man Sang, Eric
Mr. Lo Tak Kin
Ms. Yu Tin Yan, Winnie

COMPANY SECRETARY

Mr. Chan Wai Man

INVESTMENT MANAGER

Hua Yu Investment Management Limited

PRINCIPAL BANKER

Hang Seng Bank Limited

AUDITORS

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

LEGAL ADVISERS

Hong Kong Law
Mason Ching & Associates

Cayman Islands Law
Maples and Calder Asia

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Ugland House
PO Box 309
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Room 1401-03, 14th Floor,
Tower 2, Admiralty Centre,
18 Harcourt Road, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 905

COMPANY WEBSITE

www.mastermindcapitalhk.com

Chairman's Statement

It has been an exceptional year for China as the country managed to decouple from the rest of the world while its government implemented a comprehensive stimulus package to keep its economy growing despite the global economic crisis. An extremely loose monetary policy that was put in action by a banking sector which is entirely under State control, combined with an authoritative Central government, allowed key measures to be implemented immediately throughout the country. The cornerstone of the stimulus package was a focus on rural consumption combined with a vast infrastructure development plan. Fiscal measures and other financial incentives were plentiful to offset the impact on GDP of a sharp drop in exports that the government could do nothing about.

By wisely focusing on its countryside, China managed to significantly reduce the risks of social unrest that an increasing wealth gap had built up over the years. By successfully avoiding pitfalls while boosting its economy at a critical time, China finally gained the political and economical status of superpower that it had been dreaming of since Deng Xiaoping opened up the country in the early eighties. The most damaging global economic crisis of the past 80 years ended up being a blessing for China.

The consequences for the rest of the world are important. By moving up the economic ladder, China won't remain the "factory of the world" for long. Prices are going up as the population gets wealthier and as the country is moving towards the final phase of its industrialization where it produces for itself before it does for others. Inflation will undoubtedly be a key factor to take into account in 2010 as the Chinese growth will drive up commodity prices and as the Chinese inflation will spread out through its exports.

The decision made by the Central government to literally peg the yuan to the US dollar in order to protect its exports at a time when the US dollar is weakening had important consequences. The yuan getting *de facto* weaker against the euro and the yen while China's GDP keeps on being strong and its current account remains vastly positive translated into pressure building up and inevitably leading to asset inflation. We believe an asset bubble has been created, but we also believe that it can be a multi-year bubble that may last as long as the Chinese currency is not significantly revalued (which we do not believe will happen anytime soon) and as long as the Central government manages to avoid a hard landing of its economy.

Despite the strong global equity markets rally, particularly in Asia and in China, we do not consider that the equity markets we focus on are overheating.

Preemptive measures are already being taken by the Central government to cool down the Chinese economy, including a slowdown of the new loans growth, an increase in the Required Reserve Ratio imposed on banks and stringent conditions attached to the financing of properties. More measures are anticipated in the coming months, including increases in interest rates.

Despite such measures creating on and off some shivering on the markets, we see them as good news as the main risk China is facing in 2010 is the risk of overshooting by a wide margin its unofficial growth target of 10%, which would lead inevitably to a hard landing of the economy. We see the Chinese government as being proactive enough to avoid such a scenario. Hence our optimism for 2010.

We are starting to hear arguments about the imminent bursting of the China bubble because of asset inflation, over-investments and an ultra-loose credit environment, some people even predicting a Japanese-style two-decade long recession. We do not subscribe to the views of these doomsayers as we believe that they fail to appreciate the latitude China enjoys being an authoritarian state (which of course has consequences we can only deplore) with a very healthy financial position. We see this flexibility as the key to managing such a vast economy in the most effective way.

We believe internal consumption and green energy will remain a key driving force and as a result we have partially invested our cash reserve in certain hydroelectric power plants in Southern China in 2009 as we also believe that the Chinese government will shift its focus from hard infrastructure to soft infrastructure such as education, healthcare, clean energy and water treatment. This will be another investment theme in 2010.

Over the past year we have continued our diligent work in identifying and analyzing investment opportunities with promising potentials.

On 12th May, 2009 we entered into a subscription agreement with Mr. Chen Zhong, an independent third party, for the subscription of 48,000,000 new shares in the company at HK$0.125 each with a gross proceed of HK$6 million which will be applied to these investment opportunities as they arise.

Mung Kin Keung
Chairman

Management Discussion and Analysis

FINANCIAL REVIEW

During the year, the Group recorded a loss of approximately HK$5,116,000 (2008: approximately HK$2,356,000) after deducting administrative expenses of approximately HK$5,389,000 (2008: approximately HK$2,361,000).

FINANCIAL POSITION

As at 31st December, 2009, the Group had bank and cash balances of approximately HK$13,516,000 (2008: approximately HK$27,963,000).

The Group had no borrowing as at 31st December, 2009 (2008: Nil).

As at 31st December, 2009, the Group had net current assets of approximately HK$13,482,000, as compared to approximately HK$27,716,000 as at 31st December, 2008.

As at 31st December, 2009, the current ratio of the Group was 27.43 compared to 50.94 at 31st December, 2008.

CHARGES ON ASSETS

As at 31st December, 2009, there were no charges on the Group's assets (2008: Nil).

FOREIGN CURRENCY FLUCTUATION

Most of the business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange risk is minimal.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31st December, 2009 (2008: Nil).

EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

There are five employees, four executive directors and three independent non-executive directors. Remuneration policies are reviewed by the remuneration committee in accordance with the market situation and the performance of individual directors from time to time.

The Group's total staff costs (including directors' emoluments) for the year under review amounted to approximately HK$2,357,000 (2008: approximately HK$951,000).

Biographical Details of Directors and the Investment Manager

EXECUTIVE DIRECTORS

Mr. Mung Kin Keung ("Mr. Mung"), aged 49, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Mung holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years' experience in areas of business management, strategic planning and development. Mr. Mung was appointed as an executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) on 27 November, 2008 and Shougang Concord Technology Holdings Limited (Stock Code: 521) on 16 February, 2009.

Mr. Ha Wing Ho, Peter ("Mr. Ha"), aged 47, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Ha obtained LLB from the University of Wales in 1984 and PCLL from The University of Hong Kong in 1985. He is a partner of Messrs. Kok and Ha, Solicitors which was founded in 1989. He is also a director of Hong Kong Express Airways Limited.

Mr. Leong Chi Wai ("Mr. Leong"), aged 34, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Leong holds a Bachelor Degree in Business Administration from the University of Hong Kong and has 10 years' experience in managing listed and unlisted direct investments, property investments and corporate finance activities. He was a senior manager of Yu Ming Investment Management Limited ("YMIM"), a licensed corporation permitted to engage in types 1, 4, 6, 9 regulated activities under the Securities and Futures Ordinance ("SFO"). Mr. Leong is licensed under the SFO to carry out securities advisory, corporate finance advisory and asset management activities. Mr. Leong is also a substantial shareholder of Hua Yu Investment Management Limited ("Hua Yu"), the investment manager of the Company pursuant to an investment management agreement entered into between the Company and Hua Yu on 12 May 2005.

Mr. Leung King Yue, Alex ("Mr. Leung"), aged 32, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Leung holds a Bachelor Degree in Commerce specializing in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. Mr. Leung started his career in investment banking with YMIM in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited (formerly known as MYM Capital Limited), a then sister company of YMIM, in 2003 as a portfolio manager specializing in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset management activities. He is currently a Responsible Officer of both JK Capital Management Limited and Asian Asset Management Limited. He is also a director of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (Stock Code: 1076) and Coolpoint Energy Limited (Stock Code: 8032).

Biographical Details of Directors and the Investment Manager

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chee Man Sang, Eric ("Mr. Chee"), aged 48, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Chee is a practising Certified Public Accountant in Hong Kong and a senior partner of Chan Chee Cheng & Co., a firm of certified public accountants. Mr. Chee holds a Bachelor Degree in Commerce (majoring in Accounting) from Birmingham University. He had worked in two international accounting firms in Canada and Hong Kong. Mr. Chee is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Chee was appointed as an independent non-executive director of Hop Fung Group Holdings Limited (Stock Code: 2320) on 4 September 2003 and Coolpoint Energy Limited (Stock Code: 8032) on 18 February 2009.

Mr. Lo Tak Kin ("Mr. Lo"), aged 43, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Lo is a practising Certified Public Accountant in Hong Kong and an associate member of the Hong Kong Institute of Certified Public Accountants and also a fellow member of the Association of Chartered Certified Accountants. Mr. Lo is currently a director of M Square CPA Limited, Certified Public Accountants and has extensive experience in auditing, tax planning and finance.

Ms. Yu Tin Yan, Winnie ("Ms. Yu"), aged 35, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Ms. Yu was admitted as a Solicitor of the High Court of Hong Kong in 1999. Ms. Yu is currently an Associate of Messrs. Tony Kan & Co. Ms. Yu is also currently a Full Member and Director of the Association of Hong Kong Professionals Limited with which she serves as a Deputy General Secretary and Standing Committee Member.

INVESTMENT MANAGER

Hua Yu Investment Management Limited ("Hua Yu") was incorporated in Hong Kong in 1998 and is Licensed Corporation under the SFO permitted to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities. Hua Yu is principally engaged in the business of investment management and provision of corporate advisory services.

On 12 May 2005, the Company entered into an investment management agreement ("the Agreement") with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007, 2008 and 17 April 2009 respectively for a period of 1 year.

Investment management fees to Hua Yu is calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 per three months.

Directors' Report

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

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 19 to 67.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2008: HK$ Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 18 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company are set out in note 13 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 68.

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

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

Directors' Report

DIRECTORS

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

Executive Directors:
Mr. Mung Kin Keung *(Chairman)*
Mr. Ha Wing Ho, Peter
Mr. Leong Chi Wai
Mr. Leung King Yue, Alex

Independent Non-Executive Directors:
Mr. Chee Man Sang, Eric
Mr. Lo Tak Kin
Ms. Yu Tin Yan, Winnie

In accordance with Article 157 of the Company's Articles of Association, one third of the directors shall retire from office by rotation at the AGM. Mr. Mung Kin Keung and Mr. Chee Man Sang, Eric will retire by rotation at the AGM and, being eligible, offer themselves for re-election at the AGM.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

Brief biographical details of directors and investment manager are set out on pages 5 to 6.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACT

During the year, Hua Yu, of which Mr. Leong Chi Wai is a director and a substantial shareholder, received from the Group investment management fees of HK$600,000 in connection with a management agreement signed between the Group and Hua Yu.

Saved as disclosed above, no other contract of significance to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2009 and up to the date of this report, the directors of the Company do not have interests in companies of which their businesses compete or are likely to compete, either directly or indirectly, with the businesses of the Company as required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of the SFO were as follows:

Ordinary shares of HK$0.025 each in the Company as at 31 December 2009:

	Corporate interests	% of issued share capital of the Company
中國天地行物流控股集團有限公司	1,080,000,000	72.58

Note:

1,080,000,000 shares are held by 中國天地行物流控股集團有限公司 (for identification purpose China Tian Di Xing Logistics Holdings Limited), a company in which Mr. Mung Kin Keung holds 99.99% equity interests.

SHARE OPTION SCHEME

By passing of an ordinary resolution at the extraordinary general meeting on 12 January 2009, the Board adopted a new share option scheme (the "New Scheme") and simultaneously terminated the share option scheme adopted on 23 May 2002 (the "Old Scheme").

The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee with weekly working hours of 15 hours or above of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

Directors' Report

The directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1 % of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 % limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12 January 2009.

No options have been granted under the Old and New Schemes.

CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

1. **Investment management agreement**

   The Company has appointed Hua Yu as its investment manager. As Hua Yu has extensive investment experience in the PRC and Hong Kong, the Company believes it will be beneficial to appoint Hua Yu as the investment manager in order to fully capture the investment opportunities in the PRC and Hong Kong.

   Investment management fees to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 for every three months.

   Hua Yu is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

   The aggregate investment management fee paid/payable to Hua Yu for the year amounted to approximately HK$600,000.

Directors' Report

2. **Custodian agreement**

   The Company has appointed Bank of Communications Trustee Limited (the "Custodian") as its custodian. The custodian agreement has no fixed term and shall continue in force until terminated by either party giving to the other not less than 30 days' notice in writing. During the year, the Company has paid HK$19,200 to the Custodian.

   The Custodian is regarded as a connected person of the Company for the purpose of the Listing Rules. Accordingly, the custodian constitutes a continuing connected transaction of the Company.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the directors at the date of this report, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 December 2009.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2009, the committee members comprised Mr. Chee Man Sang, Eric, (chairman of Audit Committee), Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie. Two meetings were held by the committee during the year. The audited financial statements for the year ended 31 December 2009 have been reviewed by the Audit Committee.

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

AUDITORS

The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for reappointment.

There have been no changes of auditors in the past three years.

By order of the Board

Chan Wai Man
Secretary

Hong Kong

Corporate Governance Report

The Group is dedicated to maintain a credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code except for certain deviations which are mentioned below.

THE BOARD

Composition

The Board consists of four executive directors and three independent non-executive directors ("INED(s)"). Two of the INEDs have the appropriate professional accounting experience and expertise. One INED has the appropriate professional legal experience and expertise. The names and biographical details of each director are disclosed on pages 5 to 6 of this Annual Report.

The code provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

An individual chief executive officer was not appointed during the year ended 31 December 2009. The Board considers that based on the existing size and structure of the Company, the appointment of an individual chief executive officer of the Company is not necessary. Furthermore, the Company has engaged Hua Yu as its investment manager.

The code provision A.4.1 of the Code states that non-executive directors should be appointed for a specific term to election.

All independent non-executive directors are not appointed for specific term. They are, however, subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

Each INED has, pursuant to the guidelines set out in Rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each AGM pursuant to the Bye-Laws of the Company.

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

Corporate Governance Report

The Board held five regular Board meetings during the year 2009. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meetings in 2009

Number of meetings	**5**
Executive Directors:	
Mr. Mung Kin Keung *(Chairman)*	2/5
Mr. Ha Wing Ho, Peter	5/5
Mr. Leong Chi Wai	3/5
Mr. Leung King Yue, Alex	5/5
Independent Non-Executive Directors:	
Mr. Chee Man Sang, Eric	5/5
Mr. Lo Tak Kin	5/5
Ms. Yu Tin Yan, Winnie	4/5

The Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee formed under the Board, with each performing different functions.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

– to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.

– to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.

– to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.

Corporate Governance Report

- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the summary of work done in year 2009:

- to review the financial statements for the year ended 31 December 2008 and for the six months ended 30 June 2009; and

- to review the effectiveness of the internal controls system.

The Audit Committee held two meetings during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Audit Committee meetings in 2009

Number of meetings	**2**
INEDs	
Chee Man Sang, Eric *(Chairman of Audit Committee)*	2/2
Lo Tak Kin	2/2
Yu Tin Yan, Winnie	1/2

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Remuneration Committee include formulation of the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the directors.

The code provision B.1.3 of the Code states that the terms of reference of the remuneration committee provides the discharge of certain specific duties by the remuneration committee.

The Remuneration Committee held one meeting during the year. Details of individual attendance of its members are set out in the table below:

Attendance of individual members at Remuneration Committee meeting in 2009

Number of meeting	**1**
Executive Director	
Mung Kin Keung *(Chairman of Remuneration Committee)*	0/1
INEDs	
Chee Man Sang, Eric	1/1
Lo Tak Kin	1/1
Yu Tin Yan, Winnie	1/1

Corporate Governance Report

NOMINATION COMMITTEE

The Board has established a Nomination Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

No Nomination Committee meeting was held during 2009 as there has been no changes of the Board since 9 March 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code). All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2009.

AUDITORS' REMUNERATION

During the year, the fees paid/payable to the Company's auditors amounted to HK$240,000 in respect of audit services.

INTERNAL CONTROL

The Board is responsible for ensuring a sound and effective system of internal control which is designed for (i) safeguarding the interests of the shareholders; (ii) safeguarding assets of the Company and its subsidiaries against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations. Such system of internal control is aimed at limiting the risks faced by the Company to an acceptable level but not at eliminating all the risks. Hence, such system can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and there will not be any financial loss or fraud.

The key procedures established by the Board to provide effective internal control include (i) a defined management structure with clear lines of responsibility; (ii) an appropriate organizational structure which adequately provides the necessary information flow for management decisions; (iii) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (iv) assurance through the Audit Committee that appropriate internal control policies are in place and functioning effectively.

Through the Audit Committee, the Board continues to review the effectiveness of the internal control system which includes financial, operational, compliance and risk management controls. The review process consists of (i) operational management's assurance of the maintenance of control; and (ii) control issues identified by external auditors during statutory audit. The Audit Committee, supported by reviews the adequacy of resources, qualifications and experiences of staff responsible for the accounting and financial reporting functions.

For the year under review, the Board had conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries, including financial, operational and compliance controls and risk management functions.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employee, and the Group's assets.

Corporate Governance Report

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include AGM, annual report, various notices, announcements and circulars. The Company has also maintained a corporate website which enables shareholders, investors and the public to receive timely and updated information on the Company.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditors' Report on pages 17 to 18.

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Mastermind Capital Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mastermind Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 67, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

Independent Auditors' Report

AUDITORS' RESPONSIBILITY (Continued)

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

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

OPINION

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

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

22 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	6	**11**	5
Other income	6	**341**	–
Administrative expenses		**(5,389)**	(2,361)
Loss before income tax	7	**(5,037)**	(2,356)
Income tax expense	10	**(79)**	–
Loss for the year		**(5,116)**	(2,356)
Other comprehensive income			
Revaluation of available-for-sale financial assets		**385**	–
Exchange difference on translation of financial statements of foreign operations		**(3)**	–
Other comprehensive income for the year		**382**	–
Total comprehensive income for the year		**(4,734)**	(2,356)
Loss for the year attributable to the owners of the Company	11	**(5,116)**	(2,356)
Total comprehensive income attributable to the owners of the Company		**(4,734)**	(2,356)
Loss per share for loss attributable to the owners of the Company during the year	12		
Basic (HK cents)		**(0.35)**	(0.54)
Diluted (HK cents)		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**1,375**	–
Available-for-sale financial assets	15	**14,254**	189
		15,629	189
Current assets			
Prepayments		**198**	308
Other receivables		**278**	–
Cash and cash equivalents	16	**13,516**	27,963
		13,992	28,271
Current liabilities			
Accruals and other payables	17	**(431)**	(555)
Provision for tax		**(79)**	–
		(510)	(555)
Net current assets		**13,482**	27,716
Total assets less current liabilities/Net assets		**29,111**	27,905
EQUITY			
Equity attributable to the Company's owners			
Share capital	18	**37,200**	36,000
Reserves	21(a)	**(8,089)**	(8,095)
Total equity		**29,111**	27,905
Net asset value per share (HK$)	19	**0.02**	0.02

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**871**	–
Interests in subsidiaries	14	**12,010**	10
		12,881	10
Current assets			
Prepayments		**198**	308
Amount due from a subsidiary	14	**3,146**	–
Cash and cash equivalents	16	**12,728**	27,961
		16,072	28,269
Current liabilities			
Amount due to a subsidiary	14	**–**	(76)
Accruals and other payables	17	**(411)**	(365)
		(411)	(441)
Net current assets		**15,661**	27,828
Total assets less current liabilities/Net assets		**28,542**	27,838
EQUITY			
Share capital	18	**37,200**	36,000
Reserves	21(b)	**(8,658)**	(8,162)
Total equity		**28,542**	27,838

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before income tax		**(5,037)**	(2,356)
Adjustments for:			
Depreciation	7	**125**	–
Loss on disposal of a subsidiary	7	**2**	–
Interest income on financial assets carried at amortised costs	6	**(11)**	(5)
Operating loss before working capital changes		**(4,921)**	(2,361)
Decrease/(increase) in prepayments		**5,710**	(291)
Increase in other receivables		**(278)**	–
(Decrease)/increase in accruals and other payables		**(146)**	164
Net cash generated from/(used in) operating activities		**365**	(2,488)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,500)**	–
Net cash outflow on assets acquisition	24	**(11,371)**	–
Purchase of available-for-sale financial assets		**(7,887)**	(189)
Net cash outflow of the disposal of a subsidiary	23	**(2)**	–
Interest received		**11**	5
Net cash used in investing activities		**(20,749)**	(184)
Cash flows from financing activities			
Proceeds from shares issued		**6,000**	30,000
Shares issue expenses		**(60)**	(1,688)
Net cash generated from financing activities		**5,940**	28,312
Net (decrease)/increase in cash and cash equivalents		**(14,444)**	25,640
Cash and cash equivalents at 1 January		**27,963**	2,323
Effect of foreign exchange rate changes		**(3)**	–
Cash and cash equivalents at 31 December		**13,516**	27,963

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to the owners of the Company					
	Share capital	Share premium*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Accumulated losses*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2009	36,000	110,501	–	–	(118,596)	27,905
Issue of share capital	1,200	4,800	–	–	–	6,000
Shares issue expenses	–	(60)	–	–	–	(60)
Transactions with owners	1,200	4,740	–	–	–	5,940
Loss for the year	–	–	–	–	(5,116)	(5,116)
Other comprehensive income						
Revaluation of available-for-sale financial assets	–	–	–	385	–	385
Exchange difference on translation of financial statements of foreign operations	–	–	(3)	–	–	(3)
Total comprehensive income for the year	–	–	(3)	385	(5,116)	(4,734)
Balance at 31 December 2009	**37,200**	**115,241**	**(3)**	**385**	**(123,712)**	**29,111**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to the owners of the Company			
	Share capital	Share premium*	Accumulated losses*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2008	6,000	112,189	(116,240)	1,949
Issue of share capital	30,000	–	–	30,000
Shares issue expenses	–	(1,688)	–	(1,688)
Transactions with owners	30,000	(1,688)	–	28,312
Loss for the year and total comprehensive income for the year	–	–	(2,356)	(2,356)
Balance at 31 December 2008	36,000	110,501	(118,596)	27,905

* These reserve accounts comprise the consolidated reserves in deficit of approximately HK$8,089,000 (2008: HK$8,095,000) in the consolidated statement of financial position.

Notes to the Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

Mastermind Capital Limited (the "Company") was domiciled in Hong Kong and incorporated in the Cayman Islands on 21 April 1998, as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is Ugland House, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The directors of the Company consider 中國天地行物流控股集團有限公司, a company incorporated in Hong Kong, to be the ultimate holding company.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. The Company and its subsidiaries (collectively referred to as the "Group") principally invest in listed and unlisted companies.

These financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 22 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 19 to 67 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

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

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

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

2.3 Subsidiaries

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries (Continued)

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

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

Acquisition of subsidiaries

Where the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognised.

2.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) unless otherwise stated.

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

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

2.5 Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at 20% per annum.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

Financial assets are classified into the categories of loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

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

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities 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 each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

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

(i) Financial assets carried at amortised cost

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

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

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.7 Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets (Continued)

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

2.8 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Accounting for income tax (Continued)

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

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

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

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

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

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

  (i) the same taxable entity; or

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

2.10 Share capital

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

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

2.11 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Employee benefits (Continued)

Short-term employee benefits

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

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

2.12 Share-based payment

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its directors, employees, advisers and consultants.

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial liabilities

The Group's financial liabilities include accruals and other payables and amount due to a subsidiary.

Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instrument.

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

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

Accruals and other payables and amount due to a subsidiary

Accruals and other payables and amount due to a subsidiary are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.14 Revenue recognition

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

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

2.15 Lease

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

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Related parties

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

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

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

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

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

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

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

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

2.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. All of the Group's turnover and contribution to operating results are attributable to its investment activities.

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

Notes to the Financial Statements

For the year ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Provisions and contingent liabilities

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

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

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

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

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

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 27 (Amendments)	Costs of an investment in a subsidiary, jointly controlled entity or an associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
Various	Annual improvements to HKFRSs 2008

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

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example revaluation of available-for-sale financial assets. HKAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting policies on presentation of financial statements retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

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

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

The new accounting policy has been applied prospectively as required by these amendments to HKAS 27 and therefore no comparatives have been restated.

HKFRS 7 (Amendments) Improving disclosures about financial instruments

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

Notes to the Financial Statements

For the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segment.

The Group has applied changes to its accounting policies on segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

New or amended HKFRSs that have been issued but are not yet effective

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

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

HKFRS 3 Business combinations (Revised 2008)

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

HKFRS 9 Financial instruments

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

Notes to the Financial Statements

For the year ended 31 December 2009

3. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKAS 27 Consolidated and separate financial statements (Revised 2008)

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

Improvements to HKFRSs 2009

The HKICPA has issued Improvements to Hong Kong Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The directors are currently assessing the possible impact of the amendment on the Group's results and financial positions in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 2.5. The carrying amount of the property, plant and equipment is disclosed in note 13.

Impairment of interests in subsidiaries

The Group's management follows the guidance of HKAS 36 Impairment of Assets, in determining whether interests in subsidiaries are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2009 was approximately HK$12,010,000 (2008: HK$10,000).

Notes to the Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.2 Critical judgements in applying the entity's accounting policies

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Group will hold on to this investment.

5. SEGMENT INFORMATION

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

At the reporting date, non-current assets included property, plant and equipment of approximately HK$1,375,000 (2008: Nil) are located in Hong Kong (domicile). The place of domicile is determined based on the location of central management.

All of the Group's revenues are derived in Hong Kong.

6. REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in note 1 to these financial statements. Turnover of the Group is the revenue from these activities.

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Interest income	**11**	5
Other income		
Sundry income	**341**	–

Notes to the Financial Statements

For the year ended 31 December 2009

7. LOSS BEFORE INCOME TAX

	2009	2008
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditors' remuneration	**240**	180
Depreciation on owned assets	**125**	–
Investment management fees *(note 22(i)(b))*	**600**	600
Operating lease charges on an office premise	**114**	–
Loss on disposal of a subsidiary *(note 23)*	**2**	–

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2009	2008
	HK$'000	*HK$'000*
Salaries	**2,293**	916
Pension costs – defined contribution plans	**64**	35
	2,357	951

Notes to the Financial Statements

For the year ended 31 December 2009

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2009				
Executive directors				
Mr. Mung Kin Keung *(note 1)*	**820**	**–**	**11**	**831**
Mr. Ha Wing Ho, Peter *(note 2)*	**320**	**–**	**11**	**331**
Mr. Leong Chi Wai	**120**	**–**	**6**	**126**
Mr. Leung King Yue, Alex	**96**	**–**	**5**	**101**
Independent non-executive directors				
Mr. Chee Man Sang, Eric	**60**	**–**	**–**	**60**
Mr. Lo Tak Kin	**60**	**–**	**–**	**60**
Ms. Yu Tin Yan, Winnie	**60**	**–**	**–**	**60**
	1,536	**–**	**33**	**1,569**

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2008				
Executive directors				
Mr. Mung Kin Keung	120	–	6	126
Mr. Ha Wing Ho, Peter	120	–	6	126
Mr. Leong Chi Wai	120	–	6	126
Mr. Leung King Yue, Alex	96	–	5	101
Independent non-executive directors				
Mr. Chee Man Sang, Eric	60	–	–	60
Mr. Lo Tak Kin	60	–	–	60
Ms. Yu Tin Yan, Winnie	60	–	–	60
	636	–	23	659

Notes:

1. The director fee for Mr. Mung Kin Keung was revised from HK$10,000 per month to HK$80,000 per month with effect from 1 March 2009.

2. The director fee for Mr. Ha Wing Ho, Peter was revised from HK$10,000 per month to HK$30,000 per month with effect from 1 March 2009.

Notes to the Financial Statements

For the year ended 31 December 2009

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: one) individuals during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries	**681**	280
Retirement scheme contributions	**27**	12
	708	292

The emoluments of the five highest paid individuals, including the directors, fell within the following band:

	Number of individuals/directors	
	2009	2008
Emolument band		
Nil – HK$1,000,000	**5**	5

Notes to the Financial Statements

For the year ended 31 December 2009

10. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided in the financial statements as the Group has no estimated assessable profits arising in Hong Kong during the year (2008:Nil). Taxation on profits arising in the PRC has been calculated on the estimated assessable profits for the year at the rate of 25%.

	2009	2008
	HK$'000	*HK$'000*
The PRC		
– Current tax	**79**	–

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

	2009	2008
	HK$'000	*HK$'000*
Loss before income tax	**(5,037)**	(2,356)
Tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	**(810)**	(389)
Tax effect of non-deductible expense	**42**	2
Tax effect of non-taxable revenue	**(2)**	(1)
Tax effect of temporary difference not recognised	**(154)**	–
Tax losses not recognised as deferred tax asset	**1,003**	388
Income tax expense	**79**	–

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate.

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable tax rates prevailing in the countries in which the Group operates. No deferred tax liability has been provided as the Group did not have material temporary differences which gave rise to a deferred tax liability as at 31 December 2009 (2008: Nil).

The Group has tax loss arising in Hong Kong of approximately HK$52,027,000 (2008: HK$45,949,000), subject to the agreement of the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in companies with unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2009

11. LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to the owners of the Company of HK$5,116,000 (2008: HK$2,356,000), a loss of HK$5,236,000 (2008: HK$2,340,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company of HK$5,116,000 (2008: HK$2,356,000) and the weighted average number of 1,472,000,000 (2008: 439,000,000) ordinary shares in issue during the year.

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

Notes to the Financial Statements

For the year ended 31 December 2009

13. PROPERTY, PLANT AND EQUIPMENT – THE GROUP AND THE COMPANY

	The Group Motor vehicle *HK$'000*
At 1 January 2008, 31 December 2008 and 1 January 2009	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2009	
Opening net book amount	–
Additions	1,500
Depreciation	(125)
Closing net book amount	1,375
At 31 December 2009	
Cost	1,500
Accumulated depreciation	(125)
Net book amount	1,375

	The Company Motor vehicle *HK$'000*
At 1 January 2008, 31 December 2008 and 1 January 2009	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2009	
Opening net book amount	–
Additions	950
Depreciation	(79)
Closing net book amount	871
At 31 December 2009	
Cost	950
Accumulated depreciation	(79)
Net book amount	871

Notes to the Financial Statements

For the year ended 31 December 2009

14. INTERESTS IN SUBSIDIARIES – THE COMPANY

	2009 HK$'000	2008 HK$'000
Unlisted share, at cost	12,010	10
Amount due from a subsidiary	3,146	48,918
Less: provision for impairment loss	–	(48,918)
	3,146	–

The directors of the Company had assessed for impairment in value of interests in subsidiaries. In the opinion of the directors, no allowance for impairment in value of interests in subsidiaries is required.

The amount due from/to a subsidiary is in the nature of current accounts and is unsecured, interest free and has no fixed term of repayment.

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

Name of company	Place/Country of incorporation/ establishment	Type of legal entity	Particular of issued/ paid up capital	Percentage of issued/ paid up capital held by the Company *Directly*	*Indirectly*	Principal activities and place of operations
Mega Way International Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK$1 each	100%	–	Investment holding in Hong Kong
*Excellent Base Development Limited ("Excellent Base")	Hong Kong	Limited liability company	1 ordinary share of HK$1	100%	–	Investment holding in Hong Kong
*Ocean Power Limited ("Ocean Power")	Hong Kong	Limited liability company	1 ordinary share of HK$1	100%	–	Investment holding in Hong Kong
Speedy Zone Limited	British Virgin Islands ("BVI")	Limited liability company	1 ordinary share of US$1	100%	–	Inactive
*Yiu Wah Trading Co.	Hong Kong	Unlimited liability company	–	–	100%	Holding of vehicle license in Hong Kong
*韶關興港電力服務有限公司	The PRC	Limited liability company	Paid up capital of HK$3,000,000	–	100%	Investment holding in the PRC
*韶關海譽電力服務有限公司	The PRC	Limited liability company	Paid up capital of HK$5,000,000	–	100%	Investment holding in the PRC

* Subsidiaries acquired/set up during the year ended 31 December 2009

The financial statements of the above subsidiaries were audited by Grant Thornton, Hong Kong, for the statutory purpose and/or for the purpose of the Group consolidation.

Notes to the Financial Statements

For the year ended 31 December 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP AND THE COMPANY

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities, at fair value				
– In Hong Kong	**2,136**	189	**–**	–
– Outside Hong Kong	**889**	–	**–**	–
	3,025	189	**–**	–
Unlisted equity securities, at cost	**14,293**	20,525	**–**	3,064
Accumulated impairment losses	**(3,064)**	(20,525)	**–**	(3,064)
	11,229	–	**–**	–
	14,254	189	**–**	–

Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2009 are as follows:

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Cost *HK$'000*	Market value as at 31 December 2009 *HK$'000*	Percentage of the Group's net assets as at 31 December 2009
Shougang Concord Technology Holding Limited ("SCTHL")	Hong Kong	1,888,000 ordinary shares (2008: 556,000 ordinary shares)	Less than 1% (2008: Less than 1%)	614 (2008: 189)	1,076 (2008: 189)	3.70% (2008: 0.66%)
APAC Resources Limited ("APAC")	Bermuda/ Hong Kong	2,280,000 ordinary shares (2008: Nil)	Less than 1% (2008: N/A)	692 (2008: N/A)	1,060 (2008: N/A)	3.64% (2008: N/A)
Medifocus Inc.	Ontario, Canada/ Toronto, Canada	400,000 ordinary shares (2008: Nil)	Less than 2% (2008: N/A)	1,334 (2008: N/A)	889 (2008: N/A)	3.05% (2008: N/A)

Notes to the Financial Statements

For the year ended 31 December 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP AND THE COMPANY (Continued)

Particular of available-for-sale financial assets in respect of listed equity securities as at 31 December 2009 are as follows (Continued):

SCTHL is principally engaged in manufacture and sale of digital television and provision of digital television technical services, manufacture and distribution of telephone accessories, power cords and adapters, development and provision of system integration solutions, system design and sale of system hardware. No dividend was received during the year (2008: Nil). Based on the latest published annual results of SCTHL at 31 December 2009, the audited consolidated net assets were approximately HK$1,263 million. Mr. Mung Kin Keung, a director of the Company, is an executive director of SCTHL.

APAC is principally engaged in trading of base metals, fabric products and other merchandises, and trading and investment of listed securities. No dividend was received during the year. Based on the latest published interim report of APAC at 30 June 2009, the unaudited consolidated net assets were approximately HK$2,187 million.

Medifocus Inc. is a Canada-based company. The Company is focused on development and commercialisation of minimally invasive, focused-heat tumor targeted cancer treatment devices and systems. No dividend was received during the year. Based on the latest published report at 30 June 2009, the unaudited consolidated net assets were approximately HK$14 million (Canadian dollar ("CAD") 1.9 million).

Notes to the Financial Statements

For the year ended 31 December 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP AND THE COMPANY (Continued)

Particulars of available-for-sale financial assets in respect of unlisted equity securities are as follows:

Name	*Notes*	Place of incorporation	Percentage of equity interest held	Cost		Accumulated impairment losses		Carrying value		Percentage of the Group's net assets as at 31 December 2009
				2009 *HK$'000*	2008 *HK$'000*	**2009 *HK$'000***	2008 *HK$'000*	**2009 *HK$'000***	2008 *HK$'000*	
乳源瑤族自治縣二灣水電站	*(i)*	The PRC	30%	**2,746**	–	**-**	–	**2,746**	–	9.43% (2008: N/A)
乳源瑤族自治縣坪坑仔水電站	*(i)*	The PRC	30%	**4,306**	–	**-**	–	**4,306**	–	14.79% (2008: N/A)
乳源瑤族自治縣天泉水電站	*(i)*	The PRC	30%	**1,886**	–	**-**	–	**1,886**	–	6.48% (2008: N/A)
乳源瑤族自治縣上山水電站	*(i)*	The PRC	30%	**2,291**	–	**-**	–	**2,291**	–	7.87% (2008: N/A)
Tianjin Standard International Building Materials Industry Co. Ltd. (天津標準國際建材工業有限公司) ("Tianjin Standard")	*(ii)*	The PRC	21%	**-**	17,461	**-**	(17,461)	**-**	–	–
Koffman Asset Holding Limited ("Koffman Asset")	*(iii)*	BVI	9.1%	**3,064**	3,064	**(3,064)**	(3,064)	**-**	–	–
				14,293	20,525	**(3,064)**	(20,525)	**11,229**	–	

(i) These companies are principally engaged in the operation of hydro-electricity power plants in the PRC. In the opinion of the directors of the Company, the Group has not been in a position to exercise any significant influence over the financial and operating policies of the four companies as the Group has no representative in the board of directors of these companies. Accordingly, they are accounted for as available-for-sale financial assets. No dividend was received during the year. As at 31 December 2009, the unaudited net asset values of 乳源瑤族自治縣二灣水電站，乳源瑤族自治縣坪坑仔水電站，乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK$6,091,000, HK$9,100,000, HK$4,154,000 and HK$5,148,000 respectively. The directors of the Company are of the opinion that no allowance for impairment in value of these investments is required as the acquisition date of these investments was close to the reporting date and hence the carrying values of these investments are considered to be reasonable approximation of their fair values.

Notes to the Financial Statements

For the year ended 31 December 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP AND THE COMPANY (Continued)

(ii) The Group has no equity interest in Tianjin Standard followed by the disposal of New Portfolio Limited on 4 May 2009 (note 23).

(iii) Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. The company was in financial difficulties and had ceased operations since 2004. Accordingly, an impairment loss was made against the full investment cost in 2004.

Fair value of the Group's investments in listed equity securities have been measured as described in note 25.7.

16. CASH AND CASH EQUIVALENTS – THE GROUP AND THE COMPANY

Cash and cash equivalents include the following components

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and in hand	**13,516**	27,963	**12,728**	27,961

The Group has cash and bank balances of approximately HK$711,000 denominated in RMB (2008: Nil). The balances of cash at bank denominated in RMB were deposited with banks in the PRC and bore interest at effective interest rate at 0.36% per annum.

The Company does not have cash and bank balances denominated in RMB (2008: Nil).

RMB is not freely convertible into foreign currencies under the PRC Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations.

The directors of the Company considered that the fair value of the cash and bank balances is not materially different from its carrying amount because of the short maturity period on its inception.

17. ACCRUALS AND OTHER PAYABLES – THE GROUP AND THE COMPANY

All amounts are short-term and hence the carrying values of accruals and other payables are considered to be reasonable approximation of their fair values.

Notes to the Financial Statements

For the year ended 31 December 2009

18. SHARE CAPITAL

	2009		2008	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.025 each				
At 1 January	**2,000,000,000**	**50,000**	400,000,000	10,000
Increase in authorised ordinary shares *(note (a))*	**–**	**–**	1,600,000,000	40,000
At 31 December	**2,000,000,000**	**50,000**	2,000,000,000	50,000
Issued and fully paid:				
Ordinary shares of HK$0.025 each				
At 1 January	**1,440,000,000**	**36,000**	240,000,000	6,000
Issue of ordinary shares of HK$0.025 each *(note (b))*	**48,000,000**	**1,200**	1,200,000,000	30,000
At 31 December	**1,488,000,000**	**37,200**	1,440,000,000	36,000

The share capital of the Company comprises only fully paid ordinary shares with a par value of HK$0.025 each. All shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

Notes:

(a) By a special resolution dated 10 November 2008, the authorised share capital of the Company was increased from HK$10,000,000 divided into 400,000,000 ordinary shares of HK$0.025 each to HK$50,000,000 by the creation of a further 1,600,000,000 ordinary shares of HK$0.025 each ranking pari passu in all respects with the existing shares of the Company.

(b) On 12 May 2009, the Company and a subscriber entered into a subscription agreement pursuant to which the subscriber agreed to subscribe for a total number of 48,000,000 ordinary shares at a subscription price of HK$0.125 per share.

On 15 August 2008, the Company entered into an underwriting agreement for the open offer of 480,000,000 new shares at HK$0.0695 per share on the basis of two offer shares for every one share held on record date ("Open Offer"). On 10 October 2008, the Company entered into a supplemental underwriting agreement to amend the Open Offer to the effect that, the Company to issue 1,200,000,000 new shares at HK$0.025 per share ("Amended Offer Shares") on the basis of five offer shares for every one share held on record date ("Amended Open Offer"). An ordinary resolution in respect of the Amended Open Offer was passed at the extraordinary general meeting held on 10 November 2008. The Amended Offer Shares rank pari passu in all respects with the existing share capital of the Company. The Amended Open Offer was completed on 2 December 2008.

Notes to the Financial Statements

For the year ended 31 December 2009

19. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2009 of HK$29,111,000 (2008: HK$27,905,000) and the 1,488,000,000 (2008: 1,440,000,000) ordinary shares in issue.

20. SHARE OPTION SCHEME

The Company has adopted a new share option scheme on 12 January 2009 (the "New Scheme") and simultaneously terminated the share option scheme adopted on 23 May 2002 (the "Old Scheme"). Under the New Scheme, the directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12 January 2009.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares. The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options under the New Scheme have no vesting period.

No options have been granted under the Old and New Schemes.

Notes to the Financial Statements

For the year ended 31 December 2009

21. RESERVES

(a) The Group

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity to the financial statements.

(b) The Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK'000*	*HK$'000*
At 1 January 2008	112,189	(116,323)	(4,134)
Shares issue expenses	(1,688)	–	(1,688)
Loss for the year and total comprehensive income for the year	–	(2,340)	(2,340)
At 31 December 2008 and 1 January 2009	110,501	(118,663)	(8,162)
Issue of share capital	4,800	–	4,800
Shares issue expenses	(60)	–	(60)
Loss for the year and total comprehensive income for the year	–	(5,236)	(5,236)
At 31 December 2009	**115,241**	**(123,899)**	**(8,658)**

Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for distributions of paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions of dividend, the Company is able to pay its debt as they fall due in the ordinary course of business.

In accordance with the Company's Memorandum and Articles of Association, the Company may make a distribution out of share premium subject to the provision of the Companies Law (Revised) of the Cayman Islands.

Notes to the Financial Statements

For the year ended 31 December 2009

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties.

(i) Significant transactions with related parties

	Notes	2009 HK'000	2008 HK$'000
Office rental paid/payable to a related company	(a)	114	–
Investment management fees paid/payable to Hua Yu Investment Management Limited ("Hua Yu")	(b)	600	600

(a) Office rental paid/payable to a related company, in which Mr. Mung Kin Keung is a common director and a shareholder of the related company and the Company. The office rental was charged in accordance with the terms negotiated between the relevant parties.

(b) On 12 May 2005, the Company entered into an investment management agreement (the "Agreement") with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007, 2008 and 17 April 2009 for a period of 1 year respectively.

Investment management fees paid/payable to Hua Yu are calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 for every three months.

(ii) Compensation of key management personnel remuneration

The directors are of the opinion that the key management personnel were the executive directors and independent non-executive directors of the Company, details of whose emoluments are set out in note 9(a).

Notes to the Financial Statements

For the year ended 31 December 2009

23. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

On 4 May 2009, the Group disposed its entire equity interest in a wholly owned subsidiary, New Portfolio Limited, to an independent third party at a consideration of HK$1.

Disposal of a subsidiary

	2009 *HK$'000*
Net assets disposed of:	
Investment in a subsidiary	–
Cash and cash equivalents	2
	2
Loss on disposal of a subsidiary	(2)
Total consideration, satisfied by cash	–

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2009 *HK$'000*
Cash consideration	–
Cash and bank balances disposed of	(2)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2)

24. ASSETS ACQUISITION

On 1 November 2009, the Group acquired 100% of the share capital of Excellent Base and Ocean Power.

Excellent Base and Ocean Power are investment holding companies and have no operations at the date of acquisition. Excellent Base and Ocean Power held primarily investment shares in four hydro-electricity power plants in the PRC as disclosed in note 15(i). The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the directors of the Company are of the opinion that the acquisition of Excellent Base and Ocean Power is a purchase of net assets which does not constitute a business combination for accounting purpose.

Notes to the Financial Statements

For the year ended 31 December 2009

24. ASSETS ACQUISITION (Continued)

The fair value of net assets acquired are as follows:

	Fair value
	HK$'000
Cash and cash equivalents	629
Prepayments	5,600
Available-for-sale financial assets	5,793
Shareholder's loan	(8,117)
Other payables	(22)
	3,883
Add: Shareholder's loan	8,117
Net assets acquired	12,000

	HK$'000
Purchase consideration settled in cash	12,000
Cash and cash equivalents acquired	(629)
Net cash outflow on acquisition of subsidiaries	11,371

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

As at the reporting date, the Group's and the Company's financial instruments mainly consisted of cash and cash equivalents, available-for-sale financial assets, other receivables, amount due from/to a subsidiary and accruals and other payables.

Notes to the Financial Statements

For the year ended 31 December 2009

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

25.1 Categories of financial assets and liabilities

The carrying amounts presented in the Group's and the Company's statements of financial position relate to the following categories of financial assets and financial liabilities:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**14,254**	189	**–**	–
Loans and receivables				
– Cash and cash equivalents	**13,516**	27,963	**12,728**	27,961
– Other receivables	**278**	–	**–**	–
– Amount due from a subsidiary	**–**	–	**3,146**	–
	13,794	27,963	**15,874**	27,961
	28,048	28,152	**15,874**	27,961

Financial liabilities

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities measured at amortised cost				
– Accruals and other payables	**(431)**	(555)	**(411)**	(365)
– Amount due to a subsidiary	**–**	–	**–**	(76)
	(431)	(555)	**(411)**	(441)

Notes to the Financial Statements

For the year ended 31 December 2009

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

25.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing assets in relation to cash at banks carried at effective interest rates with reference to the market. Details of which are disclosed in note 16. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal. The Group has no interest bearing borrowings.

The Group does not have any exposure to interest rate risk at the reporting date nor in comparative periods and is not exposed to changes in market interest rates.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

The Company does not expose to interest rate risk as no interest-bearing borrowings at the reporting date.

25.3 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is operated in Hong Kong and most of its transactions are settled in Hong Kong dollars. Deposits invested into various bank deposits are denominated in Hong Kong Dollars ("HK$") and Renminbi ("RMB"). As at the reporting date, foreign currencies were translated into HK$ at the closing rate. As at 31 December 2009, cash and bank balances included RMB624,000 (approximately HK$711,000) denominated in RMB and the remaining balance of HK$12,805,000 is denominated in HK$.

The foreign currency exchange rate fluctuations in connection with the Group's bank deposits and foreign currency denominated available-for-sale financial assets are not significant.

The Company does not have significant exposure to foreign currency risk at the reporting date.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements

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25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

25.4 Credit risk

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

The carrying amounts of cash at banks, other receivables and amount due from a subsidiary included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's cash at banks are deposited with major banks located in Hong Kong and PRC, therefore the directors consider that credit risk for such is minimal. The Group has no other significant concentration of credit risk.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

25.5 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices of listed equity in respect of its investments in listed equity classified as available-for-sale financial assets (note 15).

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors. The maximum amount of total investment cost is restricted to approximately HK$10,000,000.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in the current year (2008: 50%) as a result of the volatile financial market.

If equity prices has been 10% higher/lower, other comprehensive income for the year ended 31 December 2009 would increase/decrease by approximately HK$303,000 (2008: approximately HK$94,000). This is due to the changes in fair value of listed equity investment classified as available-for-sale financial assets.

The Company is not exposed to other price risk as no listed equity investments held at the reporting date.

Notes to the Financial Statements

For the year ended 31 December 2009

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

25.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of accruals and other payables, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring the cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30 day periods at a minimum. The Group finances its working capital requirements by the funds generated from operations and capital placement. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

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25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

25.6 Liquidity risk (Continued)

Analysed below is the Group's and the Company's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

	The Group 2009		
	Within one year or on demand	**Total contractual undiscounted cash flow**	**Carrying amount**
	HK$'000	***HK$'000***	***HK$'000***
Non-derivative financial liability			
Accruals and other payables	**431**	**431**	**431**

	The Group 2008		
	Within one year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liability			
Accruals and other payables	555	555	555

	The Company 2009		
	Within one year or on demand	**Total contractual undiscounted cash flow**	**Carrying amount**
	HK$'000	***HK$'000***	***HK$'000***
Non-derivative financial liability			
Accruals and other payables	**411**	**411**	**411**

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25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

25.6 Liquidity risk (Continued)

	The Company 2008		
	Within one year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liability			
Accruals and other payables	365	365	365
Amount due to a subsidiary	76	76	76
	441	441	441

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

25.7 Fair value measurements recognised in the consolidated statement of financial position

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

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

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

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

Notes to the Financial Statements

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25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

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

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

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets – listed equity securities, at fair value	3,025	–	–	3,025

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

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

The listed equity securities are denominated in HK$ and CAD. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

Notes to the Financial Statements

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26. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regards total equity presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2009 amounted to approximately HK$29,111,000 (2008: approximately HK$27,905,000), which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements.

27. EVENTS AFTER THE REPORTING DATE

On 18 December 2009, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place 288,000,000 new ordinary shares at a placing price of HK$0.125 each. On 13 January 2010, the Company received a net proceed of HK$35,000,000 from the placing of 288,000,000 new ordinary shares of HK$0.025 each at the placing price of HK$0.125 each.

Financial Summary

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	177	38	14	5	**11**
Loss from operations	(5,223)	(10,206)	(3,259)	(2,356)	**(5,037)**
Finance costs	(25)	(144)	–	–	**–**
Loss before income tax	(5,248)	(10,350)	(3,259)	(2,356)	**(5,037)**
Income tax expense	–	–	–	–	**(79)**
Loss for the year	(5,248)	(10,350)	(3,259)	(2,356)	**(5,116)**

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Property, plant and equipment	219	64	–	–	**1,375**
Investment property	3,860	–	–	–	**–**
Available-for-sale financial assets	6,874	–	–	189	**14,254**
Current assets	3,357	6,611	2,340	28,271	**13,992**
Current liabilities	(1,261)	(1,467)	(391)	(555)	**(510)**
Non-current liabilities	(2,565)	–	–	–	**–**
Net assets	10,484	5,208	1,949	27,905	**29,111**
Equity	10,484	5,208	1,949	27,905	**29,111**