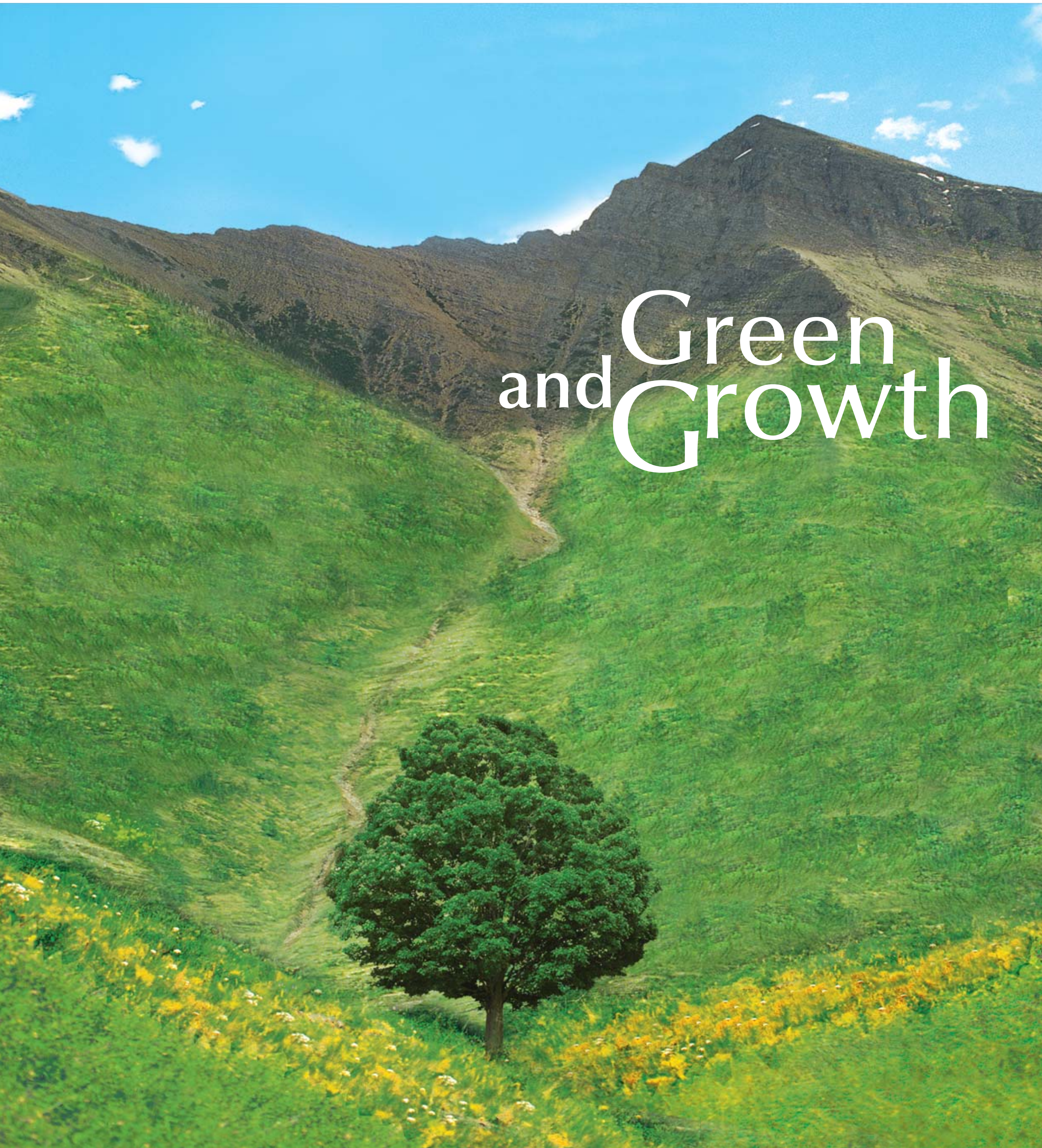
CIAM Group Limited
事安集團有限公司

HKSE 0378

Subsidiary of CITIC International Assets Management Limited

Annual Report 2009



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Corporate Information

Board of Directors

Dou Jianzhong *(Chairman)*
Lo Wing Yat Kelvin
(Executive Vice-chairman and Chief Executive Officer)
Yip Chi Chiu
Lu Zhicheng*
Carolyn Anne Prowse*
Graham Roderick Walker*
Wong Yau Kar David*
Zhao Tieliu*
Hung Chi Yuen Andrew**
Sit Fung Shuen Victor**
Toh Hock Ghim**

** Non-executive Director*

*** Independent Non-executive Director*

Audit Committee

Hung Chi Yuen Andrew *(Chairman)*
Sit Fung Shuen Victor
Toh Hock Ghim
Graham Roderick Walker

Nomination and Remuneration Committee

Toh Hock Ghim *(Chairman)*
Dou Jianzhong
Hung Chi Yuen Andrew
Sit Fung Shuen Victor

Conflict Committee

Sit Fung Shuen Victor *(Chairman)*
Hung Chi Yuen Andrew
Toh Hock Ghim

Company Secretary

Wong Yuen Ching Kyna

Auditors

Deloitte Touche Tohmatsu

Registered Office

Canon's Court, 22 Victoria Street,
Hamilton HM 12, Bermuda

Principal Place of Business in Hong Kong

23rd Floor, Bank of America Tower,
12 Harcourt Road, Central, Hong Kong
Tel: (852) 2843 0290
Fax: (852) 2525 3688

Principal Share Registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM 08, Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

Stock Code

378

Website

www.ciamgroup.com

Board of Directors

Dou Jianzhong

Chairman

- Has extensive experience in the finance industry, and was granted the prestigious title of "Senior Economist" by CITIC Group
- Aged 55. Appointed as a Director and elected as the Chairman on 31 May 2008, and also a member of the Nomination and Remuneration Committee of the Company
- Executive Director and Vice President of CITIC Group
- Vice Chairman of CITIC Holdings Limited
- Non-executive Director and former President of China CITIC Bank Corporation Limited
- Executive Director and Chief Executive Officer of CITIC International Financial Holdings Limited
- Director of CITIC International Assets Management Limited
- Chairman of CITIC Ka Wah Bank Limited
- Graduated from the University of International Business and Economics, Beijing in 1979 and obtained a Master Degree in Economics from Liao Ning University

Lo Wing Yat Kelvin
Executive Vice-chairman
and Chief Executive Officer

- Has a well-seasoned legal background which specialized in banking and project financing primarily in the PRC
- Aged 51. Appointed as an Executive Director on 23 April 2008, and also designated as the Executive Vice-chairman and Chief Executive Officer of the Company on 31 May 2008
- Director and Chief Executive Officer of CITIC International Assets Management Limited
- Director and Managing Director of CITIC International Financial Holdings Limited
- Executive Director of Jia Sheng Holdings Limited, Non-executive Director of China Fortune Holdings Limited and Longlife Group Holdings Limited, and Independent Non-executive Director of Winteam Pharmaceutical Group Limited, all being companies whose shares are listed on the Hong Kong Stock Exchange
- Worked in the Bank of China Hongkong-Macau Regional Office as an In-house Counsel and was a partner of Messrs Linklaters
- Graduated from The University of Hong Kong with a Bachelor's Degree in Laws and obtained his legal qualification in 1984 as a Solicitor of the Supreme Court of Hong Kong and subsequently, as a Solicitor of the Supreme Court of England and Wales in 1989

Fung Ka Pun
Vice-chairman

- Has over 33 years of experience in finance, securities and commodities trading and corporate finance
- Aged 64. Re-designated as a Vice-chairman of the Company on 31 May 2008
- Appointed as the Chairman of the then E2-Capital (Holdings) Limited since 28 June 1995 and was re-designated as the Executive Co-chairman on 3 April 2001
- Founder and Chairman of Goodwill International (Holdings) Limited
- Member of Chinese People's Political Consultative Conference of Hubei Province (since 2006)
- Part-time member of Hong Kong Special Administrative Region Government Central Policy Unit (2005-2007)
- Independent Non-executive Director of GZI Transport Limited, Lei Shing Hong Limited, Lee Hing Development Limited, Denway Motors Limited and Samling Global Limited
- A member of the Association of International Accountants and the Institute of Chartered Secretaries and Administrators

(Mr. Fung Ka Pun resigned as Director and Vice-chairman of the Company on 1 April 2010)

Yip Chi Chiu

Executive Director

- Has engaged in merchant banking industry in Greater China for over 22 years
- Aged 51. Appointed as an Executive Director of the Company on 23 April 2008
- Director and Deputy Chief Executive Officer of CITIC International Assets Management Limited
- Founder, Director and Chief Executive Officer of Asset Managers (Asia) Company Limited and is responsible for the formation of overall policy, corporate planning and business development and overall strategic direction
- Held a number of senior positions in various financial institutions, including the position of Managing Director of VC CEF Capital Limited (now known as VC Capital Limited) and the Deputy General Manager of The Long-Term Credit Bank of Japan, Limited (now known as Shinsei Bank, Limited) – Hong Kong Branch
- Deputy Chairman, Executive Director and Chief Executive Officer of Jia Sheng Holdings Limited (listed on the Hong Kong Stock Exchange)
- Graduated from the Chinese University of Hong Kong with a Bachelor's Degree in Economics

Lu Zhicheng

Non-executive Director

- Has over 30 years' experience in professional teaching, management and investment
- Aged 61. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Vice Chairman and President of Tsinghua Tongfang Co., Ltd. ("THTF") (the holding company of Resuccess and is listed on the Shanghai Stock Exchange), in charge of the high level management functions including strategic planning, financing, investment and coordination with the government authorities
- Board Chairman of Tellhow Sci-Tech Co. Ltd. (listed on the Shanghai Stock Exchange)
- Started his professional career in Tsinghua University, both in education and scientific research in the field of computer controlled artificial environment, and his research results had been confirmed by winning various provincial, ministerial and national technological progress awards during the period
- One of the founders of Beijing Tsinghua Artificial Environmental Engineering Co. which was established in 1989. In 1997, this company was restructured with some other companies held by Tsinghua University and formed THTF. THTF has been listed on the Shanghai Stock Exchange and became a comprehensive company engaging in the business of computer, information applications, environmental protection and digital media
- Obtained his Bachelor and Master's degrees in Thermal Engineering from Tsinghua University and was a professor of Tsinghua University

Carolyn Anne Prowse

Non-executive Director

- An investment banker with both strategy and corporate finance expertise and a background in both major global corporation and management consultancy
- Aged 37. Appointed as a Non-executive Director of the Company on 2 November 2009
- Director of CITIC International Assets Management Limited
- Currently the Head of Investment Banking of Ithmaar Bank B.S.C. (a licenced wholesale investment bank located in the Middle East and listed on the Bahrain Stock Exchange and on the Kuwait Stock Exchange)
- Holds a BA (Hons.) degree in Chemistry from the Oxford University

Graham Roderick Walker

Non-executive Director

- Worked in Europe, North America and Asia, has a wide range of experience in banking and financial services
- Aged 63. Appointed as a Non-executive Director and a member of the Audit Committee of the Company on 1 July 2008
- Director of CITIC International Assets Management Limited
- Executive Vice-president and Group Head of Finance and Risk Management of Dar Al-Maal Al-Islami Trust and a Director of Faysal Bank Limited
- Previously the Finance Director of Ithmaar Bank B.S.C.
- Held various senior management positions with a number of major international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Foreign & Colonial Management Limited
- Member of the Institute of Chartered Accountants of Scotland

Wong Yau Kar David

Non-executive Director

- Has extensive experience in direct investments and corporate finance
- Aged 52. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Managing Director of United Overseas Investments Limited, an Independent Non-executive Director of Media China Corporation Limited and China WindPower Group Limited (both companies whose shares are listed on the Hong Kong Stock Exchange), and an External Director of Shenzhen Investment Holdings Co., Ltd.
- Participates actively in public services, President of The Chinese Manufacturers' Association of Hong Kong, Council Member of the Hong Kong Institute of Directors and Council Member of the Hong Kong Trade Development Council
- Obtained his Ph. D in Economics from University of Chicago and previously served as an Economist at the Federal Reserve Bank of Philadelphia

Zhao Tieliu

Non-executive Director

- Currently an Executive Director and Managing Director of Sanyuan Group Limited
- Aged 52. Appointed as a Non-executive Director of the Company on 15 July 2009
- President of Weida Applied Technology Company Limited (listed on the Shenzhen Stock Exchange) from early 2001 to the end of 2003 and was responsible for overseeing its operation and formulating its overall corporate strategy
- Held positions in Tianjin University of Finance and Economics as lecturer, the Department of Accounting as deputy dean, and as division director of the Futures Supervision Division and Intermediary Supervision Division of China Securities Regulatory Commission at the Tianjin Regulatory Bureau
- Graduated from Tianjin University of Finance and Economics with a Bachelor degree of Economics in 1984 and obtained a Master degree in Business Administration from Oklahoma City University, USA in 1990

Hung Chi Yuen Andrew
Independent Non-executive Director

- Practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Association of Certified Accountants
- Aged 41. Appointed as the Company's Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Conflict Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Currently the Principal of Richo Business Development Co.
- Previously worked in UBS Investment Bank for 7 years as business unit controller
- Received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993
- Holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree of Applied Finance from University of Western Sydney

Sit Fung Shuen Victor
Independent Non-executive Director

- Founding Director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University
- Aged 62. Appointed as the Company's Independent Non-executive Director, the Chairman of the Conflict Committee, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Professor of the Department of Geography from 1977 to 2007 and the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong
- The Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in mainland China
- Professional and community services:
  - Advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988)
  - Advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991)
  - Deputy of the National People's Congress of the PRC (1993-2008)
  - Advisor to the Governor of Guangdong Province of the PRC (2000-2005)
  - Former Member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government

Toh Hock Ghim

Independent Non-executive Director

- Aged 67. Appointed as the Company's Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Conflict Committee on 1 July 2008
- Joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong Special Administrative Region ("SAR") and Macau SAR
- Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007
- Appointed as the Senior Adviser to the Ministry of Foreign Affairs upon retirement from the foreign service at the end of 2007
- Chairman of Equation Corporation Limited, a Singapore-listed company, at present
- Obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore

CIAM Group Limited

directors from diverse backgrounds

Chairman's Statement

On behalf of the Board of Directors (the "Board") of CIAM Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009. I would like to start with my heartfelt gratitude to our shareholders and the Management for their contributions to the Group throughout the year.

In 2009, the Group was confronted with severe challenges and diverse uncertainties arising from the global financial crisis. In response to such challenges and uncertainties, the Group adjusted its business goals and strategies in a timely manner and resolved to sell two investment properties under the favourable market conditions, thereby freeing up internal resources to ensure a more abundant supply of cash for our key operations. In a nutshell, we have secured a healthy growth in the investment businesses on which the Group focuses.

As the Group's core approach to business development, "Green and Growth" was brought into fuller play in 2009. On the direct investment front, the Group invested in three environmental friendly projects, namely, a wind power project of 華能新能源產業控股有限公司 (Huaneng Renewable Energy (Holding) Co. Ltd.) for the development of renewable energy businesses; a strategic investment in Beijing Enterprises Water Group (HKEx 371, "Beijing Water") for exploring investment opportunities in the water sector; and a stake in a manufacturer company focusing on electric power and traction sectors with diversified environmental friendly applications. Meanwhile, our "green" fund management business in mainland China included the Agriculture Fund and the Hitech Fund established in 2009. All these will contribute a stable and satisfactory revenue to the Group in the form of investment or management fee and lay a solid foundation for the Group's development in our "green" business.

Looking ahead, the Group will continue to go "green" in our business expansion. We will keep up our high standard of corporate governance and leverage on our shareholders' brand names as well as industry strengths to create value for our customers and shareholders.

Dou Jianzhong
Chairman

Management Discussion and Analysis

2009 was the first full year for the new major shareholder and the Management to lead CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") since the change of major shareholders in mid-2008. 2009 was also a very difficult year for most companies globally due to the impact of financial crisis being brought forward from 2008. With the backdrop of the above challenges and uncertainties of business environment, nonetheless, the Management has been so far cautiously making good progress in demonstrating their capability and commitment to develop the Group in accordance with the business plan which has been discussed in last interim and annual reports. The Group is now equipped with improved management and control systems, clear business direction and strategy, sound corporate governance infrastructure, and ambitious employees who share common goals and vision for the Company. All these precious elements will help the Company to carry out the "Green" business plan with discipline and survive from difficult time like the financial crisis and uncertainties in coming one or two years. With the achievements we made in 2009, which will be discussed below, we are confident to deliver what we have committed to ourselves in shaping a brighter future of the Group.

Investments in environmental friendly businesses

Three major investments were made during the year 2009, they were:

i. a jointly controlled wind-power project in Shouguang;

ii. a strategic investment in Beijing Enterprises Water Group (HKEx 371, "Beijing Water"); and

iii. a minority stake in a manufacturer company focusing on electric power and traction sectors with diversified environmental friendly applications.

The most significant investment made by the Group in 2009 was the RMB84 million investment in a wind-farm project owned by a subsidiary of 中國華能集團 (China Huaneng Group), 華能新能源產業控股有限公司 (Huaneng Renewable Energy (Holding) Co. Ltd.). Located in Shouguang, Shandong Province (山東壽光), the new wind-farm project comprises of 33 large turbines, has a total capacity of 49.5MW, and has officially commenced operation in supplying electricity to Shandong Province since July 2009. The wind-farm has been operated in accordance with the original business plan and has financially met the first year budget. The Group owns 45% interest of the wind-farm. The project contributed approximately RMB3 million profits to the Group in the first year, and will increase to approximately RMB6 million per annum recurring profits. From cash perspective, the project will generate approximately 12% internal rate of return (IRR) to the Group. This investment benchmarked the Group to develop business in alternative energy area. A couple of scenarios and investment opportunities are being seriously considered by the Management to expand the investment in this segment. Obviously, the first option will be to further participate in other similar projects with 華能新能源產業控股有限公司, if we want ourselves to be focused on wind-farm. Alternatively, we may invest in upstream business like wind-farm equipment manufacturer. We even do not rule out the possibility to join other wind-farm investment platform in the market by leveraging their existing portfolio and co-developing future wind-farm investment. The Management has given itself target to make the best decision for the Group and execute the plan within 2010. The bottom line of the wind-farm project is to provide stable recurring revenue and reasonable return for the Group in the medium run before we have a bigger plan on wind-farm segment.

We made considerable amount of profits from the investment in Beijing Water. Beijing Water is one of our many strategic partners in mainland China who can help us to develop the “Green” future. With the increased funding resources after the disposal of properties in Hong Kong, we believe that there will be more investment opportunities which can leverage our partners’ capability and expertise to improve the risk to return ratio on our future investments.

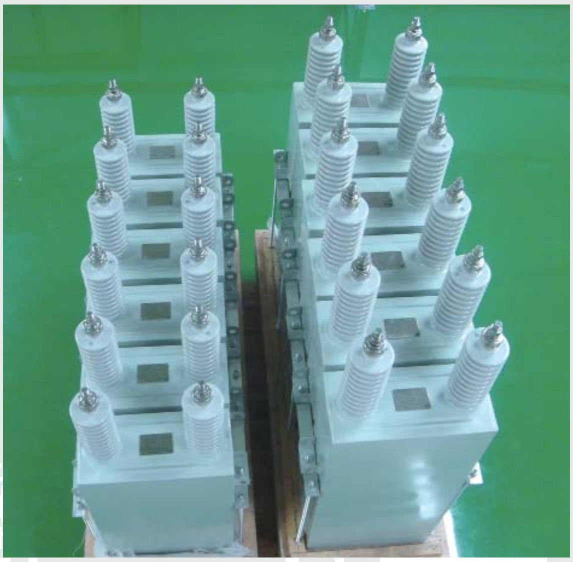
Another "Green" investment which we made in the second half of 2009 was a US$3 million minority stake in a company specialising in electric power and traction sectors ("EPT Co") and focusing on design and production of

i. power stack (功率模組) for mainland China's domestic electric locomotive;

ii. dry-transformer and high voltage direct current reactor (陽極飽和電抗器, "HVDC Reactor") for mainland China's domestic high voltage direct current system; and

iii. power capacitors.

Power capacitors



High voltage direct current reactor in Siemens mode (西門子制式陽極飽和電抗器)

EPT Co also designs and produces water cooling process. EPT Co commenced operation back in 2003 as the sole distributor of ABB's semiconductors and sensors in mainland China which became a side business of the company. EPT Co then began to expand its business into research and development, as well as production of domestic electronic components, covering areas like reactive power compensator (無功補償), excitation (勵磁), transmission (傳動), high voltage soft start (高壓軟啟動) and rectification (整流). The business objective is to acquire the technological know-how in developing and manufacturing certain electronic components which used to be relied on import from western countries. EPT Co set up a company in Jiashan, Shanghai in 2004 mainly focusing in the research and development of 500KV HVDC Reactor. After three years of research, the company successfully came up with the first domestic-built HVDC Reactor that was compatible with the standard of imported components with the same specification. The product was then deployed at Gaoling high current direct voltage project in 2008. Since then, EPT Co has further expanded its business scope by tapping into the production of power stack for electric locomotive and power capacitor and ion cooling system for HVDC projects.

With the shareholding participation of the Group in EPT Co, not only provided additional working capital for the company, we tried to leverage our business network to help expanding the business of EPT Co. A potential customer has been identified in this respect which can help the company to lift their sales to a new chapter. EPT Co is making good progress in soliciting this very significant potential customer. With the growth of business, EPT Co targets to get listed in coming 12 to 18 months. Subject to equity capital market performance, this investment can bring in considerable profits for the Group in 2011, if not this year.

With the divestments of the non-environmental protection related investments in 2009, namely the property under development at Grampian Road, Hong Kong and the investment property in Yuen Long, Hong Kong, the Group has freed up considerable funding resources to match our pipeline of green investments. More investments like EPT Co or wind-farm will be made in 2010 in order to realize our "Green" dream.

Divestments in 2009

Riding on the positive sentiment and new high price recorded in Hong Kong property market, we sold the property under development at Grampian Road, Hong Kong and the investment property in Yuen Long, Hong Kong. This was to ensure we can best utilize our resources and focus on environmental friendly segment and geographically in mainland China.

The property project at Grampian Road was one of the largest investments in the Group during the past few years. Due to its unique location and neighborhood, the Group had considered developing the property into a luxury low rise residential property. However, due to the lack of liquidity in the market during financial crisis in late 2008 and early 2009, the Group had to explore other options to manage the project including co-development or outright sale of the project companies. Although liquidity came back in 2009, due to the uncertainty of the Hong Kong property market, we decided to sell the property. The disposal can help to allocate our resource and capital to the areas where we have competitive advantages and where we want to focus on. With the available fund generated from the disposal, the property team of the Group will look for better return investment opportunities in mainland China.

Similar to Grampian Road project, we had been looking for various options to repackage our investment property at Yuen Long, Hong Kong for leasing. Due to the small size and location of that site, the application is limited. Moreover, the research from the market told us that the expected rental yield from Yuen Long property will not be high, not as much as what we can normally get from other investment opportunities in our pipeline. With the opportunity costs in mind and to leverage the recent optimistic property market sentiment in Hong Kong, we sold the land at a reasonable price.

Both Grampian Road project and Yuen Long investment property brought in considerable amount of profits to the Group in 2009 to pay off the investment period and management costs of these projects. However, the most meaningful implication to the Group from these two divestments was probably the release of funding for better return investments and the delivery of business plan. As mentioned, a portion of the funding has been deployed or allocated to two short term financing transactions under the same real estate segment in mainland China which will generate approximately 28% to 40% per annum gross return (interest plus structuring fee) to the Group. The Management believes the re-allocation of our capital, from larger, longer term property development project to smaller, shorter term financing transaction will help the short term profit and loss performance of the Company and be healthier to our balance sheet.

Short term investments or financing transactions

There are two main reasons for us to do short term investments or financing transactions. Firstly, we target to allocate approximately one-third of our funding for shorter tenor transactions, in order to generate enough short term profits and to provide adequate liquidity for managing our investment portfolio. The above mentioned short term financing transactions under real estate segment are some of the examples. We target on those six to eighteen months' tenor transactions with gross return from 20% to 40% per annum. Typical structured deal can bring in at least 15% per annum net return to the Group after all direct structural costs.

Another reason we do short term investment is for treasury management. Trading of listed securities in Hong Kong is one of the ways to enhance the return of our available cash waiting for investment opportunities. In this respect, the Company usually invests in IPO or share placement opportunities from selected companies with great values and growth potential. Since it is a treasury management and the objective is to enhance the yield better than bank deposit, we tried to minimize risks by doing smaller amount in each investment with a diversified portfolio. We aim to balance various exposures in our portfolio, including industry, business segment, market capitalization size and geographical market.

Asset under management ("AUM") business development in mainland China

From nothing at the beginning of 2009, the Group has set up three funds under management by the date we released this report. Two of them have been disclosed in respective announcements as well as 2009 interim report. However, for the sake of completion in this report on the discussion of our business development during 2009, we have included the same in below and included some updates regarding 中信信逸一號中小企業發展集合資金信托計劃 ("Xinyi Fund", a trust plan in mainland China) and 天津事安海泰能源科技創業投資企業 (CIAM Hitech Energy Fund, "Hitech Fund"). The last AUM which has not been disclosed before is 河南農業開發產業投資基金 (Henan Agriculture Investment Fund, "Agriculture Fund") which was developed in the year 2009 and fund raising closed on 22 January 2010.

Our initiative with 中信信托有限責任公司, (CITIC Trust Company Limited, "CITIC Trust") on Xinyi Fund benchmarked the beginning of our AUM business development in mainland China. Xinyi Fund is an RMB300 million trust plan with subsistence period of three years. It targets on providing short to medium term financing to enterprises with strong profitability, high growth potential and satisfactory collateral coverage. CITIC Trust is the trustee of the Xinyi Fund. 逸百年投資諮詢(深圳)有限公司 (YBN Investment Consulting Limited, "YBN"), a wholly foreign-owned enterprise by the Group, is the investment advisor to the Xinyi Fund, which is effectively the fund manager performing the role of deals origination, execution and divestment for the fund. The Group has placed RMB50 million as seed monies into the Xinyi Fund. YBN provides a guaranteed return of 8% per annum to the passive investors and shares carried interest at a progressive rate in accordance with the overall return of Xinyi Fund. YBN also receives fee income as an investment advisor until the termination of Xinyi Fund. A total of RMB250 million was raised for the Xinyi Fund and has been fully invested in three high yield financing transactions. In consideration of the cost structure of a trust plan and its short tenor characteristics, we projected a net return of approximately 8% IRR on the seed monies on this Xinyi Fund. With the success of this first trust plan, the Group is confident to replicate the same in 2010 with larger fund size and target to have lower cost structure and better terms for the fund manager.

Hitech Fund is the second one we set up and announced on 8 July 2009. The target fund size is USD99.99 million, for seven years, extendable to nine years and the first four years will be investment period. It aims to invest in high technology, new/renewable energy, energy conservation and emission reduction, consumer, healthcare and education related industries. A wholly owned subsidiary of the Group entered into contract with Tianjin Hi-Tech Holding Co., Ltd. ("Tianjin Hi-Tech") in setting up the Hitech Fund. Tianjin Hi-Tech is a conglomerate company in mainland China focusing on the development of Tianjin Binhai Hi-Tech Industrial Park and engages in businesses of direct investment and company incubation, with industry focus on pharmaceutical, software development, and civil engineering and landscaping. The Group and Tianjin Hi-Tech will contribute USD11.7 million and USD7.14 million respectively to the Hitech Fund as seed monies. The rest of fund pool will be raised from selected professional investors under the prevailing rules and regulations in mainland China. The Hitech Fund will be managed by a fund manager company which the Group will have 70% interest, with the rest owned by Tianjin Hi-Tech. The fund manager will receive 2% annual management fee from the Hitech Fund based on the total fund size and will receive carried interest of 20% from the profits of the fund in excess of the hurdle rate of 8% IRR. The management company for the fund has been set up. The Company is working closely with our partner, Tianjin Hi-Tech, to complete the formality with relevant authorities. Investments and fund raising will be commenced immediately following the injection of seed monies which expect to happen around mid-2010.

Agriculture Fund was established in accordance with 河南省人民政府關於設立農業開發產業投資基金的批覆, 豫政文[2009]44號 (People's Government of Henan Province approval on the establishment of agricultural development industry investment fund, Henan Government Document [2009] No. 44). It is the first agricultural industry investment fund in mainland China as of 22 January 2010. The total target fund size will be RMB4.8 billion of which 50% will be denominated in domestic currency and the remaining will be raised offshore. Domestic portion is divided by 4 tranches. Each tranche will raise RMB600 million with tenor of five years. The government provides 引導基金 (effectively, seed monies) of RMB200 million for each tranche and will raise RMB400 million from the public. CITIC Trust underwrote the public offering of first tranche. The fund was well received by the market and was fully subscribed within 2 weeks. The fund is a contractual-type fund which China CITIC Bank Corporation Limited plays the role as the fund trustee. Henan Agriculture Investment Fund Management Co. Ltd is the investment advisor and is responsible for fund investment and management. YBN and 河南省農業綜合開發公司 (Henan Agriculture Development Company) are two of the major sponsors of this Agriculture Fund. YBN owns 40% of this fund management company.

Contract signing ceremony of Henan Agriculture Investment Fund

Agriculture Fund has started its investment phase and will primarily focus on equity investment in agricultural processing businesses in Henan Province. The establishment of this Agriculture Fund requires no seed monies from the fund management company. Economically, the Group will share the management fee and carried interest on the Agriculture Fund through YBN.

Results of the Group

For the year ended 31 December 2009, the profit attributable to equity shareholders of the Company amounted to HK$64.33 million (2008: loss HK$70.29 million), and earnings per share was HK$0.1479 (2008: loss per share HK$0.1754).

During the year under review, the Group's investment in Huaneng Shouguang Wind Power Company Limited contributed profits of RMB2.56 million (equivalent to HK$2.91 million) to the Group. The Group also recorded a fair value gain of US$0.11 million (equivalent to HK$0.87 million) on the convertible debt investment made by the Group in September 2009. The

Group divested the investments in Beijing Water which realized the profits of HK$39 million. The Group recorded gains on disposals of the properties located at Grampian Road and Yuen Long in Hong Kong, amounted to HK$65 million and HK$12 million respectively.

The Group's total administrative costs was HK$83 million for year 2009, of which HK$32 million was to be reimbursed by way of management fee income from CITIC International Assets Management Limited ("CIAM Parent"), the indirect major shareholder of the Company, in accordance with the services agreement entered into in October 2008 ("Service Agreement").

Financial position

As at 31 December 2009, the Group's total assets were HK$706 million, consisting of AUM business and direct investments of HK$231 million, cash (including pledged bank deposits) of HK$281 million, and other assets of HK$194 million. The current liabilities decreased from HK$216 million to HK$78 million, mainly due to the settlement of bank borrowings following the disposals of Grampian Road and Yuen Long properties. Majority of other assets and borrowing amount as at 31 December 2009 will be reduced in 2010 following the settlement of all receivables and payables in relation to the Grampian Road disposal transaction. The shareholders' funds increased from HK$480 million to HK$624 million due to the increase in profits attributed to the Group for the year and issuance of new shares of the Company for HK$78 million in early 2009.

Currency exposure and exchange risk

As at 31 December 2009, the Group had no material exposure to foreign exchange other than Renminbi, since the majority of the Group's assets, except for certain foreign currencies bank deposits and fund investments, were denominated in either Hong Kong dollars or Renminbi. The Management does not consider there to be any significant currency risk given the general market view for the possible revaluation of Renminbi. Nevertheless the Management will closely monitor the situation if hedging is needed for such exposure.

Liquidity and interest risk exposure

As at 31 December 2009, the Group had no interest-bearing borrowings. The Group is of sound liquidity and held HK$281 million cash on hand at balance sheet date. At the date of this report, the remaining sales proceeds of HK$165 million for disposal of Grampian Road has been received. With the settlement of all bank borrowings in 2009, the Group will consider to raise external financing in 2010, including bank borrowings in order to enhance shareholder return. All fund raising activities will be done in alignment with our investment activities when there is a need to do so.

Contingent liabilities and pledge of assets

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

As at 31 December 2009, the Group pledged a HK$39 million deposit with a bank in order to secure a banking facility of HK$43 million, which remained unused at the balance sheet date.

Human resources

The Group has approximately 30 investment professional staff who manage the Group's investment portfolio and the same under CIAM Parent in accordance with the Service Agreement. We planned to recruit a few more investment staff in 2010 to cope with the increasing size of asset under management. Some upgrade will be made in investment control and execution function's area to ensure that the efficiency of the investment process can be maintained as well as preserving the quality of risk control when we grow our portfolio size.

2009 was the second year of the Company to reward staff in accordance with the compensation approach and incentive scheme which were structured and approved in 2008. In September 2009, the Company has granted 29.81 million option shares under the Share Option Scheme, as planned in the incentive scheme, to Directors and employees who have made significant contribution in the setup of the business plan and their committed contribution in the coming years of execution. The share options were divided into two lots with different vesting and exercisable period and have covered approximately 80% of the employees. The wide coverage of share options allocation to most staff evidences the emphasis of team work in the Company and how we value each and every employee who can contribute to the success of the Group.

Following the launches of defined discretionary bonus policy, carried interest scheme and granting of share options in 2009, the Group has a balanced set of short and long term incentive tools in recruiting and retaining talents. Furthermore, we will constantly review our compensation level against peer group to ensure our pay level will be reasonably competitive and not excessive in the market.

Internal control

The Group has engaged Grant Thornton Specialist Services Limited ("Grant Thornton") to provide internal audit services in evaluating the internal control environment. Grant Thornton follows a risk based approach to review the internal control of the Group. It firstly conducted a risk assessment in identified areas for attention and the need for strong internal controls to manage risks arising, and developed a three-year internal audit plan to address these risks. The first two focused areas under review in 2009 were asset management and treasury management. The results of the review were encouraging.

Grant Thornton has verified the liquidity management framework of the Company and concluded it to be properly established. The report also agreed that the Company has established a systematic procedure to assess and approve the investment decisions by authorized personnel. In addition, there is a sound monitoring framework to evaluate all new and existing investments from different aspects including performance, existence, valuation, investment cost, related significant risks, etc.

Grant Thornton will continue their works in 2010 on other focused areas including legal and compliance and financial reporting. Asset management system will be reviewed again due to its heavy weighted role in our business. The Group is not only equipped with a proper corporate governance infrastructure but also a continuous process to review for enhancement. We strongly believe a well built management and control infrastructure can help us to manage our business more efficiently and eventually support a much sustainable business.

Outlook

2009 was a successful year for the Group with progress at various ends to materialize our business plan set in 2008. We made two "Green" investments in 2009. Wind-farm can bring us stable recurring revenue and the pre-IPO investment on EPT Co can bring us double-digit IRR in two to three years time. The Hitech Fund is the major move on "Green" fund and will leverage our deal flow on environmental protection related projects. Other funds being set up in 2009 and 2010 will help us to improve the economies of scale on our human resources and business infrastructure to run fund management business.

The properties in Hong Kong were divested and we can deploy the resources on "Green" related investments in mainland China. Wind energy and upstream businesses are one of our major targets in current investment pipeline. 2010 will be an important year for us to deploy our resources and fill up the balance sheet with profitable businesses and investments. The Management has worked out a few alternatives and is exploring its potential impact on each possible scenario to the growth of the Group from three to five years down the road. As we mentioned above, we do not rule out the possibilities to have material acquisition or disposal in order to accelerate our business plan execution to the best interests of shareholders. We realize the importance of today's decision for the future of the Company. With the support from our major shareholders and strong management team with plentiful deal flow, we are confident that 2010 will be another year of success for a better CIAM Group Limited in future.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries, associates and a jointly controlled entity are set out in notes 41, 19 and 20, respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 45 of the annual report. No interim dividend was paid to shareholders during the year.

The directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 49 and note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2009 were approximately HK$87,566,000 (2008: HK$152,233,000), which comprised of other reserve of approximately HK$2,184,000 (2008: HK$2,184,000) and retained profits of approximately HK$85,382,000 (2008: HK$150,049,000).

DIRECTORS

The directors who held office during the year and up to the date of this report are:

Chairman
Dou Jianzhong

Executive Vice-chairman
Lo Wing Yat Kelvin

Vice-chairman
Fung Ka Pun

Executive Director
Yip Chi Chiu

Non-executive Directors

Lu Zhicheng	(appointed on 15 July 2009)
Carolyn Anne Prowse	(appointed on 2 November 2009)
Graham Roderick Walker	
Wong Yau Kar David	(appointed on 15 July 2009)
Zhao Tieliu	(appointed on 15 July 2009)
Mohamed Abdulrahman Husain Abdulla Bucheeri	(appointed on 19 February 2009 and resigned on 2 November 2009)

Independent Non-executive Directors
Hung Chi Yuen Andrew
Sit Fung Shuen Victor
Toh Hock Ghim

Mr. Fung Ka Pun resigned as Director and Vice-chairman of the Company on 1 April 2010.

In accordance with Bye-law 86(2) of the Bye-laws of the Company, Mr. Lu Zhicheng, Ms. Carolyn Anne Prowse, Mr. Wong Yau Kar David and Mr. Zhao Tieliu shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 87 of the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Mr. Dou Jianzhong, Mr. Sit Fung Shuen Victor, Mr. Toh Hock Ghim and Mr. Graham Roderick Walker shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that all the Independent Non-executive Directors are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

As at 31 December 2009, the interests or short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in the Appendix 10 to the Listing Rules were as follows:

Name of Director/ Chief Executive	Number of Shares Personal Interests	Number of Shares Corporate Interests	Number of underlying shares held under equity derivatives *(Note 1)*	Total	Approximate percentage of issued share capital
Dou Jianzhong	–	–	2,500,000	2,500,000	0.56%
Fung Ka Pun	–	1,862,303 *(Note 2)*	800,000	2,662,303	0.60%
Hung Chi Yuen Andrew	–	–	400,000	400,000	0.09%
Lo Wing Yat Kelvin	35,000	–	3,800,000	3,835,000	0.86%
Lu Zhicheng	–	–	400,000	400,000	0.09%
Sit Fung Shuen Victor	–	–	400,000	400,000	0.09%
Toh Hock Ghim	–	–	400,000	400,000	0.09%
Graham Roderick Walker	–	–	800,000	800,000	0.18%
Wong Yau Kar David	–	–	400,000	400,000	0.09%
Yip Chi Chiu	–	–	800,000	800,000	0.18%
Zhao Tieliu	–	–	400,000	400,000	0.09%

Notes:

1. These interests represented the interest in underlying shares in respect of the share options granted by the Company under its share option scheme adopted on 12 October 2007 to these directors as beneficial owners, further details of which are set out in note 31 to the consolidated financial statements.

2. Mr. Fung Ka Pun has beneficial interest in Bo Hing Limited, which was interested in 1,862,303 shares of the Company as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, none of the Directors or Chief Executive of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 12 October 2007 (the "Scheme") and movement of the share options during the year are set out in note 31 to the consolidated financial statements.

DIRECTORS'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the Scheme, at no time during the year was the Company, any of its holding company, or its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, so far as was known to the Directors and the Chief Executive of the Company, the following persons (other than any director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital *(Note 1)*
Right Precious Limited ("Right Precious")	Beneficial owner	323,555,154	72.77%
CITIC International Assets Management Limited ("CIAM Parent")	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
CITIC International Financial Holdings Limited ("CIFH")	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
China CITIC Bank Corporation Limited ("CNCB")	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
CITIC Group	Interest held by controlled corporation *(Note 2)*	323,555,154	72.77%
Dundee Greentech Limited ("Dundee Greentech")	Beneficial owner	44,000,000	9.90%
Dundee Energy Limited ("Dundee Energy")	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
Radiant Enterprises Group Limited ("Radiant")	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
The Dundee Merchant Bank ("Dundee Merchant")	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
Liu Hailong	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%
Dundee Corporation	Interest held by controlled corporation *(Note 3)*	44,000,000	9.90%

Notes:

1. The percentages are calculated based on the total number of issued shares of the Company of 444,633,217 shares as at 31 December 2009.

2. By virtue of the SFO, CIAM Parent, CIFH, CNCB and CITIC Group are deemed to be interested in 323,555,154 shares held by Right Precious. Right Precious is a wholly-owned subsidiary of CIAM Parent which CIFH owns 40%. CIFH is 70.32% owned by CNCB which, in turn, is 67.26% owned by CITIC Group.

3. Dundee Greentech is a wholly-owned subsidiary of Dundee Energy which, in turn, is 50% owned by Radiant and 50% owned by Dundee Merchant. Radiant is 100% owned by Liu Hailong while Dundee Merchant is 100% owned by Dundee Corporation. By virtue of the SFO, Dundee Energy, Radiant, Dundee Merchant, Liu Hailong and Dundee Corporation are all deemed to be interested in 44,000,000 shares of the Company.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2009.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover. The Group had no major supplier due to the nature of principal activities of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is based on their merits, qualifications and competence.

The emoluments of the directors of the Company are decided by the Nomination and Remuneration Committee, upon considering the Group's operating results, individual performance and comparable market statistics.

The Company has adopted the Scheme as an incentive to directors and eligible employees.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

On 14 October 2008, the Company entered into an Inter-companies Services and Cost Allocation Agreement ("Services Agreement") with CIAM Parent pursuant to which the Group would provide certain services to CIAM Parent and its subsidiaries but excluding the Group ("CIAM Parent Group") including the investment and asset management services, business development and management services, administration, finance, compliance and operational services (the "Services") for a term of three years commencing 1 December 2008.

CIAM Parent would pay the fee in cash for the Services ("Fee") in accordance with the relevant terms and conditions set out in the Services Agreement to the Company during the period when Services are provided by the Group to CIAM Parent Group. The annual limits on the aggregate Fee payable by CIAM Parent to the Company ("Caps") are as follows:

(i) HK$9,000,000 for 1 month ended 31 December 2008;

(ii) HK$43,000,000 for 12 months ended 31 December 2009;

(iii) HK$49,000,000 for 12 months ending 31 December 2010; and

(iv) HK$43,000,000 for 11 months ending 30 November 2011.

As CIAM Parent is a substantial shareholder and connected person (as defined in the Listing Rules) of the Company, the provision of the Services by the Group to CIAM Parent has constituted continuing connected transactions of the Company ("Continuing Connected Transactions"). As the relevant percentage ratios applicable to the Services Agreement exceeded 2.5% and the aggregate annual Fee was expected to be more than HK$10,000,000, the Continuing Connected Transactions and the Caps mentioned above were submitted to and approved by the independent shareholders at the special general meeting of the Company held on 27 November 2008.

The Continuing Connected Transactions were conducted on normal commercial terms determined at arm's length negotiations having considered the estimated utilisation of staff time and number of headcount of the Group providing the Services. Pursuant to the Services Agreement, the aggregate Fee for the Continuing Connected Transactions paid and to be paid by CIAM Parent for the year ended 31 December 2009 was approximately HK$13,548,000 which did not exceed the Cap mentioned above.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors of the Company engaged the external auditors of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions under the Services Agreement with CIAM Parent Group which were entered into during the year. The external auditors have reported their factual findings arising from these procedures to the Board of Directors.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the transactions were entered into by the Group in its ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, if identified, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

During the period from 9:30 am on 14 May 2008 to 22 March 2009, the public float of the Company fell below 25% public floating requirement under Rule 8.08(1)(2) of the Listing Rules and the trading in the shares of the Company was suspended at the request of the Company pending the restoration of the minimum public float. The Company was granted a waiver from strict compliance with the public float requirements under the Listing Rules during that period. With the completion of the share placement on 23 March 2009, the public float of the Company had been restored to 26.80% and trading in the shares of the Company was resumed with effect from 9:30 am on the same day.

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's Directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2009.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of approximately HK$41,000.

AUDITORS

The financial statements of the Company for the year ended 31 December 2009 have been audited by Messrs. Deloitte Touche Tohmastu.

On behalf of the Board

Dou Jianzhong
Chairman

17 March 2010

Corporate Governance Report

CIAM Group Limited (the "Company") is committed to maintaining high standards of corporate governance. Throughout the year ended 31 December 2009, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviations discussed in the relevant paragraphs below.

(A) Directors' Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors of the Company have complied with the required standard as set out in the aforesaid model code throughout the year of 2009.

(B) The Board of Directors

Composition and Role

The Board of Directors (the "Board") comprised twelve members, consisting of the Chairman, the Executive Vice-chairman, the Vice-chairman, the Executive Director, five Non-executive Directors and three Independent Non-executive Directors. All the Independent Non-executive Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence. The name and brief biographical details of the Directors are shown in the "Board of Directors" section of this Annual Report.

The Board is responsible for overseeing the strategic development of the Company and its subsidiaries (the "Group") and for determining the objectives, strategies, policies and business plan of the Group. It has delegated the responsibility of the day-to-day operation and management to the Management of the Company. In addition to its overall supervisory role, the Board retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving capital raising activities, approving policies and codes as required by regulators, etc.

Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed. Directors, should they believe it to be necessary, may also seek independent professional advice at the Company's expense.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Each Director may request the inclusion of matters in the agenda for Board meetings. The Chairman also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at Board meetings. Senior executives of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all times the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the year ended 31 December 2009, four board meetings were held. The attendance record of individual Directors is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a Director of the Company.

Name	Attendance
Chairman	
Dou Jianzhong	4/(4)
Executive Vice-chairman	
Lo Wing Yat Kelvin	4/(4)
Vice-chairman	
Fung Ka Pun[1]	4/(4)
Executive Director	
Yip Chi Chiu	4/(4)

1 *Resigned as Director and Vice-chairman on 1 April 2010*

Name	Attendance
Non-executive Directors	
Lu Zhicheng (appointed on 15 July 2009)	1/(2)
Carolyn Anne Prowse (appointed on 2 November 2009)	1/(1)
Graham Roderick Walker	4/(4)
Wong Yau Kar David (appointed on 15 July 2009)	2/(2)
Zhao Tieliu (appointed on 15 July 2009)	0/(2)
Independent Non-executive Directors	
Hung Chi Yuen Andrew	4/(4)
Sit Fung Shuen Victor	4/(4)
Toh Hock Ghim	4/(4)
Ex Director	
Mohammed Abdulrahman Husain Abdulla Bucheeri (appointed on 19 February 2009 and resigned on 2 November 2009)	1/(3)

The Company Secretary is responsible for taking minutes of the Board meetings and meetings of the Board Committees. The minutes record in sufficient details the matters considered by the Board and the Board Committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. All such minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer (the "CEO")

Mr. Dou Jianzhong is the Chairman and Mr. Lo Wing Yat Kelvin is the CEO of the Company. The roles of Chairman and CEO are segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the CEO, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

Non-executive Directors

The Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for such a specific term. Instead, same as for all other Directors of the Company, the Non-executive Directors are subject to the retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The Directors believe that subjecting the Non-executive Directors to retirement by rotation and re-election achieves the intended aims of the Code.

(C) Nomination and Remuneration Committee

The Company has set up a Nomination and Remuneration Committee (the “N&R Committee”) in July 2008 which comprises the three Independent Non-executive Directors and the Chairman of the Company and is chaired by Mr. Toh Hock Ghim.

The roles and responsibilities of the N&R Committee, as set out in its terms of reference, are published on the Company’s website. These primarily include: identifying and nominating qualified individuals to the Board for appointment as Directors and the CEO of the Company; making recommendations to the Board on directors’ fees; reviewing and approving the policies and mechanism in relation to the appointment or termination of, remuneration or compensation to, and the succession plans for the senior executives of the Company; and reviewing and approving performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The members of the N&R Committee shall not vote in decisions concerning each of their own remuneration or any other matters which he has any direct or indirect interest. All Non-executive Directors of the Company have the right to attend the meetings of the N&R Committee. The composition and the terms of reference of the N&R Committee shall be reviewed from time to time.

During the year ended 31 December 2009, two N&R Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the N&R Committee.

Name	Attendance
Toh Hock Ghim (Chairman)	2/(2)
Dou Jianzhong	1/(2)
Hung Chi Yuen Andrew	2/(2)
Sit Fung Shuen Victor	2/(2)

(D) Internal Control

The Board is ultimately responsible for maintaining a sound and effective systems of internal control and risk management of the Group. Procedures have been designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Investment Committee has been formed to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on an ad hoc basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Company.

Grant Thornton Specialist Services Limited has been engaged as the internal auditors of the Company to conduct independent examination and evaluation on the adequacy and effectiveness of the Group's internal control system on an on-going basis. The internal auditors develop a risk-based annual audit plan for regular audits for each calendar year. Such audit plan is reviewed and approved by the Audit Committee. The audits cover all material controls, including financial, operational and compliance controls as well as risk management functions. Special audit may be conducted when necessary. The internal auditors report regularly to the Audit Committee about the audit work done as compared with the annual audit plan and highlight any significant findings or issues to the Audit Committee. The Audit Committee will then review the findings and report to the Board for attention and appropriate action.

(E) Audit Committee

The current composition of the Audit Committee consists of the three Independent Non-executive Directors of the Company and one Non-executive Director. Mr. Hung Chi Yuen Andrew, the chairman of the Committee, possesses a professional accountancy qualification and has substantial experience in accounting and financial matters. The authority and duties of the Audit Committee, as set out in the terms of reference, are published on the Company's website.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's internal and external auditors in matters within the scope of the group audit.

The Audit Committee meets regularly with the senior management, the external and the internal auditors to consider and discuss the Group's financial reporting process, systems of internal control and compliance. It is also responsible for considering the appointment of the external auditors and the audit fee, and discussing with the external and internal auditors the nature and scope of audit before any audit commences. In addition, it discusses matters raised by the internal auditors and external auditors to ensure that appropriate recommendations are implemented.

During the year ended 31 December 2009, three Audit Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the Audit Committee.

Name	Attendance
Hung Chi Yuen Andrew (Chairman)	3/(3)
Sit Fung Shuen Victor	3/(3)
Toh Hock Ghim	2/(3)
Graham Roderick Walker	3/(3)

(F) Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements for each financial period and for ensuring that they give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2009, the Directors, with the assistance of the Management and the external auditors, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent, and prepared the accounts on the going concern basis.

The financial statements of the Company for the year ended 31 December 2009 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte").

For 2009, fees charged by Deloitte for audit services amounted to HK$780,000 and for non-audit services including review of interim financial statements, tax advisory services and other services was HK$452,625.

(G) Communication with Shareholders

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CIAM GROUP LIMITED
事安集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CIAM Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 139, which comprise the consolidated statement 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 consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000 (restated)
Continuing operations			
Revenue	5		
Net fair value gain (loss) on held-for-trading investments		**33,929**	(12,897)
Investment income		**1,198**	8,552
Arrangement fee income		**106**	952
Assets under management fee income		**854**	–
		36,087	(3,393)
Management fee income		**32,245**	2,087
Other income		**1,204**	6,768
Gain on disposal of subsidiaries		**65,345**	32,727
Gain on disposal of investment properties		**40**	–
Gain on disposal of prepaid lease payments and properties for development		**11,856**	–
Fair value gain on financial asset designated at fair value through profit or loss		**865**	500
Change in fair value of investment properties		**–**	(106)
Impairment loss on prepaid lease payments		**–**	(15,357)
Write off of loan to an associate		**–**	(1,675)
Gain (loss) on disposal of associates		**810**	(784)
Administrative expenses		**(82,578)**	(39,861)
Management fee expense		**–**	(293)
Share of losses of associates		**(378)**	(194)
Share of profit of a jointly controlled entity		**2,909**	–
Finance costs	7	**(1,258)**	(3,381)
Profit (loss) before taxation		**67,147**	(22,962)
Income tax expense	8	**–**	(1,129)
Profit (loss) for the year from continuing operations		**67,147**	(24,091)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(46,204)
Profit (loss) for the year	10	**67,147**	(70,295)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000 (restated)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**175**	2,874
Reclassification adjustment for exchange differences of foreign operations upon disposals/deregistration		**–**	(10,745)
Reclassification adjustment for fair value changes on available-for-sale investments upon disposals		**–**	(27,616)
Other comprehensive income (expense) for the year		**175**	(35,487)
Total comprehensive income (expense) for the year		**67,322**	(105,782)
Profit (loss) for the year attributable to:			
Owners of the Company		**64,332**	(70,289)
Minority interests		**2,815**	(6)
		67,147	(70,295)
Other comprehensive income (expense) attributable to:			
Owners of the Company		**174**	(35,281)
Minority interests		**1**	(206)
		175	(35,487)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**64,506**	(105,570)
Minority interests		**2,816**	(212)
		67,322	(105,782)
Earnings (loss) per share	14		
From continuing and discontinued operations			
Basic		**HK 14.79 cents**	HK (17.54) cents
Diluted		**HK 14.79 cents**	N/A
From continuing operations			
Basic		**HK 14.79 cents**	HK (6.01) cents
Diluted		**HK 14.79 cents**	N/A

Consolidated Statement of Financial Position

At 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**7,564**	26,418
Investment properties	16	**–**	1,717
Prepaid lease payments — non-current portion	17	**–**	312,241
Properties for development	18	**–**	3,400
Interests in associates	19	**13,937**	–
Interest in a jointly controlled entity	20	**98,385**	–
Available-for-sale investment	21	**56,803**	–
Financial asset at fair value through profit or loss	22	**24,118**	–
Mortgage loans receivable — non-current portion	23	**4,300**	4,820
Other non-current assets	24	**1,824**	1,824
		206,931	350,420
Current assets			
Prepayments, deposits and other receivables	25	**167,470**	1,748
Prepaid lease payments — current portion	17	**–**	8,326
Financial assets at fair value through profit or loss	22	**33,241**	10,584
Mortgage loans receivable — current portion	23	**177**	192
Amount due from immediate holding company	38	**17,850**	1,986
Other loan receivable	26	**–**	43,306
Pledged bank deposits	27	**39,000**	–
Deposits placed with other financial institutions	28	**1,756**	1,916
Bank balances and cash	28	**240,022**	280,253
		499,516	348,311
Current liabilities			
Accruals and other payables		**24,032**	4,072
Taxation payable		**2,474**	2,474
Secured bank and other borrowings	29	**–**	172,458
Amount due to a fellow subsidiary	38	**14,314**	–
Loans from minority shareholders of subsidiaries	38	**36,755**	36,851
		77,575	215,855
Net current assets		**421,941**	132,456
Total assets less current liabilities		**628,872**	482,876
Non-current liability			
Secured bank and other borrowings	29	**–**	187
		628,872	482,689

Consolidated Statement of Financial Position

At 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	30	**444,633**	400,633
Reserves		**179,236**	79,200
Equity attributable to owners of the Company		**623,869**	479,833
Minority interests		**5,003**	2,856
		628,872	482,689

The consolidated financial statements on pages 45 to 139 were approved and authorised for issue by the Board of Directors on 17 March 2010 and are signed on its behalf by:

Dou Jianzhong	**Lo Wing Yat Kelvin**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (Note b)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	400,633	–	82,445	27,616	7,667	–	1,581	65,461	585,403	921	586,324
Loss for the year	–	–	–	–	–	–	–	(70,289)	(70,289)	(6)	(70,295)
Exchange difference arising on translation of foreign operations	–	–	–	–	2,874	–	–	–	2,874	–	2,874
Realised on disposal of available-for-sale investments	–	–	–	(923)	–	–	–	–	(923)	–	(923)
Release on deregistration of a subsidiary	–	–	–	–	(1,816)	–	–	–	(1,816)	–	(1,816)
Realised on disposal of entities classified as discontinued operations	–	–	–	–	(8,548)	–	–	–	(8,548)	–	(8,548)
Realised on disposal of other subsidiaries	–	–	–	(26,693)	(175)	–	–	–	(26,868)	(206)	(27,074)
Total comprehensive (expense) income for the year	–	–	–	(27,616)	(7,665)	–	–	(70,289)	(105,570)	(212)	(105,782)
Capital contributed by minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	2,147	2,147
At 31 December 2008	400,633	–	82,445	–	2	–	1,581	(4,828)	479,833	2,856	482,689
Profit for the year	–	–	–	–	–	–	–	64,332	64,332	2,815	67,147
Exchange difference arising on translation of foreign operations	–	–	–	–	174	–	–	–	174	1	175
Total comprehensive income for the year	–	–	–	–	174	–	–	64,332	64,506	2,816	67,322
Issuance of shares	44,000	34,320	–	–	–	–	–	–	78,320	–	78,320
Share issue expense	–	(2,350)	–	–	–	–	–	–	(2,350)	–	(2,350)
Recognition of equity-settled share-based payments	–	–	–	–	–	3,560	–	–	3,560	–	3,560
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	(669)	(669)
At 31 December 2009	**444,633**	**31,970**	**82,445**	**–**	**176**	**3,560**	**1,581**	**59,504**	**623,869**	**5,003**	**628,872**

Notes:

(a) Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(b) Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid and (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
Operating activities			
Profit (loss) before taxation from continuing and discontinued operations		**67,147**	(69,166)
Adjustments for:			
Depreciation of property, plant and equipment		**1,496**	493
Gain on disposal of property, plant and equipment		**(56)**	(40)
Gain on disposal of investment properties		**(40)**	–
Release of prepaid lease payments		**1,105**	4,861
Gain on disposal of prepaid lease payments and properties for development		**(11,856)**	–
Gain on disposal of subsidiaries other than those classified as discontinued operations	33	**(65,345)**	(32,727)
Share of losses of associates		**378**	2,659
Share of (profit) loss of a jointly controlled entity		**(2,909)**	27,886
Net fair value (gain) loss on held-for-trading investments		**(33,929)**	8,032
Fair value gain on financial assets at fair value through profit or loss		**(865)**	(500)
(Gain) loss on disposal of associates		**(810)**	784
Finance costs		**1,258**	3,405
Interest income		**–**	(1,871)
Share-based payment expense		**3,560**	–
Loss on disposal of entities classified as discontinued operations	9	**–**	15,324
Gain on disposal of other non-current assets		**–**	(383)
Impairment loss on prepaid lease payments		**–**	15,357
Written-off of loan to an associate		**–**	1,675
Change in fair value of investment properties		**–**	106
Operating cash flows before movements in working capital		**(40,866)**	(24,105)
Decrease in held-for-trading investments		**11,272**	35,048
Decrease in inventories		**–**	900
(Increase) decrease in prepayments, deposits and other receivables		**(722)**	1,822
Increase in amount due from immediate holding company		**(15,864)**	(1,986)
Increase (decrease) in accruals and other payables		**19,960**	(47,372)
Cash used in operations		**(26,220)**	(35,693)
Hong Kong Profits Tax paid		**–**	(7)
Overseas tax refunded		**–**	105
Interest paid		**(1,258)**	(3,381)
Interest received		**–**	1,871
Net cash used in operating activities		**(27,478)**	(37,105)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
Investing activities			
Proceeds from disposal of subsidiaries other than those classified as discontinued operations	33	**343,000**	71,900
Proceeds from disposal of prepaid lease payments and properties for development		**60,600**	–
Repayment from (loan to) a third party		**43,306**	(43,306)
Proceeds from disposal of investment properties		**1,757**	–
Proceeds from disposal of associates		**810**	–
Decrease in mortgage loans receivable		**535**	1,350
Proceeds from disposal of property, plant and equipment		**480**	690
Purchase of property, plant and equipment		**(6,191)**	(5,732)
Investment in an associate		**(14,299)**	–
Investment in a financial asset designated at fair value through profit or loss		**(23,253)**	–
(Increase) decrease in pledged bank deposits		**(39,000)**	6,000
Investment in an available-for-sale investment		**(56,764)**	–
Investment in a jointly controlled entity		**(95,341)**	–
Additions to investment properties		**(145,412)**	–
Proceeds from disposal of entities classified as discontinued operations	9	**–**	87,783
Proceeds from disposal of available-for-sale investments and embedded options		**–**	6,645
Redemptions of equity-link notes		**–**	3,090
Proceeds from disposal of other non-current assets		**–**	2,400
Acquisition of subsidiaries	32	**–**	(1,484)
Loans to associates		**–**	(1,831)
Additions to prepaid lease payments		**–**	(23,900)
Net cash from investing activities		**70,228**	103,605
Financing activities			
Repayment of secured bank and other borrowings		**(172,645)**	(1,152)
Share issue expense		**(2,350)**	–
Dividend paid to minority shareholders of a subsidiary		**(669)**	–
(Repayment to) loans from minority shareholders of subsidiaries		**(96)**	142
Advance from a fellow subsidiary		**14,314**	–
Proceeds from issue of shares		**78,320**	–
Capital contribution from a minority shareholder of a subsidiary		**–**	2,147
Net cash (used in) from financing activities		**(83,126)**	1,137
Net (decrease) increase in cash and cash equivalents		**(40,376)**	67,637
Effect of foreign exchange rate changes		**(15)**	(559)
Cash and cash equivalents at the beginning of the year		**282,169**	215,091
Cash and cash equivalents at the end of the year		**241,778**	282,169
Represented by:			
Deposits placed with other financial institutions		**1,756**	1,916
Bank balances and cash		**240,022**	280,253
		241,778	282,169

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Right Precious Limited ("Right Precious"), a limited company incorporated in the British Virgin Islands. Its ultimate holding company is CITIC International Assets Management Limited ("CIAM Parent"), a private limited company incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, respectively.

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

The principal activities of the Company and its subsidiaries (the "Group") are assets under management ("AUM") business, direct investments and property investments.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

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

Adoption of new and revised HKFRSs effective in the year

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 "Operating Segments" is a disclosure standard that requires the presentation of operating segments in a manner consistent with the internal reports that are regularly reviewed by the Group's chief operating decision maker. HKFRS 8 replaces HKAS 14 "Segment Reporting" which required an entity to identify two sets of segments (business and geographical). However, the adoption of HKFRS 8 has not resulted in re-designation of the Group's reportable segments and the presentation of the segment results and segment assets has not been changed (see note 6 for details).

As part of the Improvements to HKFRSs issued by the HKICPA in 2008, HKAS 40 "Investment Property" has been amended to include within its scope properties under construction or development for future use as investment properties. In the past, the leasehold land and building elements of properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and recorded as prepaid lease payments. The building element was recorded as property, plant and equipment. The Group has applied the amendment to HKAS 40 prospectively from 1 January 2009. As a result of the application of the amendment, the land and building elements of the Group's properties under development for future use as investment properties of approximately HK$274,118,000 and HK$23,125,000 respectively, have been transferred to investment properties at 1 January 2009 (see note 16 for details) from prepaid lease payments and property, plant and equipment, respectively. The subject investment properties have been disposed of during the year when the Group disposed of subsidiaries (note 33) resulting in a gain on disposal of HK$65,345,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

Change in accounting policy

In previous years, the Group recognised its interests in a jointly controlled entity using proportionate consolidation. That jointly controlled entity was disposed of by the Group during the year ended 31 December 2008 and included in discontinued operations in 2008 (note 9). In the current year, the Group became a venturer in, and made capital injection to, a jointly controlled entity, as set out in note 20. The Group has decided to change its accounting policy for interests in jointly controlled entities such that the interests in jointly controlled entities are accounted for using the equity method of accounting. The Directors believe that such change will better reflect the financial impacts of the interests in jointly controlled entities on the Group's results and financial position.

Under the equity method, interests in and share of results of the jointly controlled entities are carried in the consolidated financial statements separately at cost as adjusted for post-acquisition changes in the Group's share of net assets, whereas under the proportionate consolidation method, the Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Since the interest in jointly controlled entity in 2008 was disposed of during 2008 as part of the discontinued operations, the change in accounting policy has had no material impact on the presentation of the consolidated financial statements. The change in accounting policy only affect the line items presented in the note to discontinued operations and is set out in note 9.

Change in presentation of consolidated statement of comprehensive income

In the current year, the Directors of the Company decided to change the classification of certain line items in the consolidated statement of comprehensive income by presenting net fair value gain or loss on held-for-trading investments as part of the Group's revenue to better reflect the fact that the Group's principal activities include trading in such investments. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no net effect on the results of the Group for 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

Change in presentation of consolidated statement of comprehensive income (continued)

The effect of changes in presentation for the prior year by line items presented in the consolidated statement of comprehensive income is as follows:

	Year ended 31 December 2008 HK$'000
Decrease in revenue	(12,897)
Increase in fair value gain on financial asset designated at fair value through profit or loss	500
Increase in write off of loan to an associate	(1,675)
Decrease in net loss on financial instruments	14,072
Increase in management fee income	2,087
Decrease in other income	(2,087)
Change in loss for the year	–

No consolidated statement of financial position as at 1 January 2008 has been presented as the change in accounting policy and re-classifications disclosed above have no effects on the financial position of the Group presented in the consolidated statement of financial position in respect of the end of the previous financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

New and revised HKFRSs that are not yet effective

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

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

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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

New and revised HKFRSs that are not yet effective (continued)

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

Interests in associates

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

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

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

Jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entity (continued)

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

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

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

Service income is recognised when services are provided.

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

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the period of the respective leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in construction in progress until construction or development was complete, at which time it was reclassified to and subsequently accounted for as an investment property. Upon adoption of amendments to HKAS 40, that property has been reclassified as an investment property at 1 January 2009 (see note 2).

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction from 1 January 2009.

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

Leasing

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

The Group as lessee

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

Leasehold land and building

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and a defined contribution provident fund under Occupational Retirement Scheme Ordinance (the "ORSO Scheme") are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)
A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if:

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

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including other receivables, mortgage loans receivable, amount due from immediate holding company, other loan receivable, pledged bank deposits, deposits placed with other financial institutions and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)
For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

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

For certain categories of financial assets, such as mortgage loans receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of mortgage loans receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of mortgage loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When mortgage loans receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities of the Group including other payables, secured bank and other borrowings, amount due to a fellow subsidiary and loans from minority shareholders of subsidiaries, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

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

Derecognition

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of the share options granted at the grant date is expensed as staff costs on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

Membership licences/golf club debentures

Membership licences/golf club debentures with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The underlying assumptions are reviewed on an ongoing basis.

Fair value of derivatives and other financial instruments

Management use its judgement in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied.

The Group's available-for-sale investment with carrying amount of HK$56,803,000 was valued based on the fair values of the underlying fixed-rate loans at the end of the reporting period which were determined using a discounted cash flow analysis. The Group's financial asset designated at fair value through profit or loss with a carrying amount of HK$24,118,000 was valued using discounted cash flow analysis and the Black-Scholes option pricing model.

The values assigned to the financial assets are based upon available information at the end of the reporting period and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstances and cannot be reasonably determined until the individual position is realised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. REVENUE

Revenue from continuing operations represents revenue arising from direct investments and property investments for the year. As explained in note 6, the operations of brokerage services, investment banking and industrial and management operating services were regarded as discontinued operations during the year ended 31 December 2008. An analysis of the Group's revenue for the year is as follows:

	2009 **HK$'000**	2008 HK$'000 (restated)
Continuing operations		
Investment income:		
Net fair value gain (loss) on held-for-trading investments	**33,929**	(12,897)
Interest income	**956**	7,215
Dividend income	**242**	1,337
	35,127	(4,345)
Arrangement fee income	**106**	952
Assets under management fee income	**854**	–
	36,087	(3,393)
Discontinued operations		
Sales of goods	**–**	2,690
	36,087	(703)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. REVENUE (continued)

Revenue from continuing and discontinued operations includes investment income and fair value changes as follows:

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
				(restated)		(restated)
Net fair value gain (loss) on held-for-trading investments	**33,929**	(12,897)	**–**	–	**33,929**	(12,897)
Interest on						
— other loan receivable	**662**	6,089	**–**	–	**662**	6,089
— mortgage loans receivable	**288**	396	**–**	–	**288**	396
— equity link notes	**–**	145	**–**	–	**–**	145
— others	**6**	585	**–**	–	**6**	585
	956	7,215	**–**	–	**956**	7,215
Dividends from						
— equity securities	**108**	1,337	**–**	–	**108**	1,337
— funds	**134**	–	**–**	–	**134**	–
	242	1,337	**–**	–	**242**	1,337
	35,127	(4,345)	**–**	–	**35,127**	(4,345)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

5. REVENUE (continued)

Investment income earned from and fair value changes of financial assets, analysed by category of asset, is as follows:

	2009	2008
	HK$'000	HK$'000 (restated)
Held-for-trading investments	**34,171**	(11,415)
Loans and other receivables	**956**	7,070
	35,127	(4,345)

Included above is income from and (i) fair value gain of listed investments of HK$34,272,000 (2008: income and fair value loss of HK$12,062,000) and (ii) fair value loss of unlisted investments of HK$101,000 (2008: income and fair value gain of HK$647,000).

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group's Office of Chief Executive Officer, in order to allocate resources to segments and to assess their performance.

In the opinion of the Directors, the principles of which the business segments of the Group has been divided under HKAS 14 in previous years also form the basis of which internal reports have been presented to the Group's Office of Chief Executive Officer. The Group's reportable segments under HKFRS 8 are therefore identical to the business segments under HKAS 14. In addition, the Group commenced AUM business during the year, which also forms a separate reportable segment. The Group's reportable segment for current year are:

— AUM
— Direct investments
— Property investments

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

The AUM segment is principally engaged in fund set up and management in which the Company acts as the general partner and/or investment manager and leverages third party and seed money into selected investment portfolios.

The direct investments segment is principally engaged in securities trading and asset investments and the property investments segment is to engaged in property development.

In addition, the Group was also involved in the following operations in the past, each of which was also reported as a separate segment under HKAS 14, including:

— Brokerage services
— Investment banking
— Industrial and management operating services

All of these operations were discontinued during the year ended 31 December 2008. For HKFRS 8 reporting purposes, each of these operations formed a separate reportable segment.

Segment revenue and results

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

For the year ended 31 December 2009

	Continuing operations			
	AUM HK$'000	Direct investments HK$'000	Property investments HK$'000	Total HK$'000
Revenue	854	35,233	–	36,087
Segment results	(884)	30,787	75,632	105,535
Unallocated corporate income				33,448
Central administration costs and Directors' salaries				(70,578)
Finance costs				(1,258)
Profit before taxation				67,147

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2008 (restated)

	Continuing operations			Discontinued operations				
	Direct investments HK$'000	Property investments HK$'000	Sub-total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Sub-total HK$'000	Total HK$'000
Revenue	(3,393)	–	(3,393)	–	–	2,690	2,690	(703)
Segment results	(6,492)	(22,843)	(29,335)	–	–	(505)	(505)	(29,840)
Unallocated corporate income			4,381				–	4,381
Central administration costs and Directors' salaries			(26,376)				–	(26,376)
Gain on disposal of subsidiaries other than those classified as discontinued operations			32,727				–	32,727
Share of losses of associates			(194)				(2,465)	(2,659)
Share of loss of a jointly controlled entity			–				(27,886)	(27,886)
Loss on disposal of an associate			(784)				–	(784)
Finance costs			(3,381)				(24)	(3,405)
Loss before taxation			(22,962)				(30,880)	(53,842)
Loss on disposal of discontinued operations			–				(15,324)	(15,324)
Loss before taxation			(22,962)				(46,204)	(69,166)

All of the segment revenue reported above is from external customers.

Segment profit (loss) for the year ended 31 December 2009 represents profit (loss) attributable to each segment without allocation of corporate income, central administration costs and Directors' salaries and finance costs. For the year ended 31 December 2008, the segment loss has further excluded the gain on disposal of subsidiaries other than those classified as discontinued operations, loss on disposal of an associate and share of results of associates and a jointly-controlled entity. These items are not allocated to any separate reportable segment since these items relate to investments that do not form part of the core businesses of the Group for the year then ended.

These measures are reported to the Group's Office of Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	2009 HK$'000	2008 HK$'000
Segment Assets		
AUM	**70,740**	–
Direct investments	**160,221**	63,621
Property investments	**165,000**	354,714
Total segment assets	**395,961**	418,335
Bank balances and cash and pledged bank deposits	**279,022**	280,253
Other unallocated assets	**31,464**	143
Consolidated assets	**706,447**	698,731
Segment Liabilities		
AUM	**14,315**	–
Direct investments	**7,169**	2,615
Property investments	**37,091**	209,613
Total segment liabilities	**58,575**	212,228
Unallocated liabilities	**19,000**	3,814
Consolidated liabilities	**77,575**	216,042

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For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

No analysis for the Group's assets and liabilities attributable to discontinued operations has been presented since all of such operations have been disposed of as at 31 December 2008.

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

- all assets are allocated to reportable segments other than property, plant and equipment, other non-current assets, prepayments, deposits and other receivables, amount due from immediate holding company, other loan receivable, pledged bank deposits, deposits placed with other financial institutions and bank balances and cash; and

- all liabilities are allocated to reportable segments other than accruals and other payables of head office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2009

	Continuing operations			
	AUM HK$'000	Direct investments HK$'000	Property investments HK$'000	Total HK$'000
Amounts included in the measure of segment profit (loss) or assets and liabilities:				
Interest in an associate	13,937	–	–	13,937
Interest in a jointly controlled entity	–	98,385	–	98,385
Share of loss of an associate	(378)	–	–	(378)
Share of profit of a jointly controlled entity	–	2,909	–	2,909
Interest income	–	956	–	956
Release of prepaid lease payments	–	–	1,105	1,105
Gain on disposal of subsidiaries	–	–	65,345	65,345
Gain on disposal of prepaid lease payments and properties for development	–	–	11,856	11,856
Gain on disposal of an associate	–	810	–	810
Additions to non-current assets (note)	–	–	145,412	145,412

Note: Additions to non-current assets represent additions to investment properties.

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For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2008

	Continuing operations			Discontinued operations				
	Direct investments HK$'000	Property investments HK$'000	Sub-total HK$'000	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment loss or assets and liabilities:								
Interest income	7,215	–	7,215	–	–	–	–	7,215
Release of prepaid lease payments	–	4,861	4,861	–	–	–	–	4,861
Impairment loss on prepaid lease payments	–	15,357	15,357	–	–	–	–	15,357
Additions to non-current assets (note)	–	26,862	26,862	–	–	248	248	27,110

Note: Additions to non-current assets include additions to property, plant and equipment, investment properties, prepaid lease payments and properties for development.

Geographical information

The Group's operations in AUM, direct investments and property investment are mainly located in Hong Kong and the People's Republic of China (the "PRC").

The Group's discontinued operations in brokerage services, investment banking and industrial and management operating services were mainly operated in Hong Kong and Singapore.

The following table provides an analysis of the Group's revenue and non-current assets by geographical location.

For revenue from listed investment, allocation is based on the location of investment being listed. For revenue from unlisted investments, funds, provision of arrangement services and assets management services, allocation is based on the location of investees, borrowers or managed assets, respectively.

Non-current assets are allocated by geographical location of the assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

Geographical information (continued)

	Revenue from external customers from continuing and discontinued operations Year ended 31 December		Non-current assets (note)	
	2009	2008	**2009**	2008
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Hong Kong	**35,233**	(3,393)	**9,046**	343,883
PRC	**854**	–	**112,664**	1,717
Singapore	**–**	2,690	**–**	–
	36,087	(703)	**121,710**	345,600

Note: Non-current assets excluded financial instruments.

Revenue from major investments

The Group relies on income from a number of investments of the AUM business, direct investments and property investments. One investment (2008: nil) individually accounted for more than 10% of the consolidated revenue (which included net loss on certain held-for-trading investments), amounted to HK$38,557,000 for the year ended 31 December 2009.

Revenue by source of income and services

The relevant information is set out in note 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

7. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000 (restated)	**2009 HK$'000**	2008 HK$'000 (restated)
Interest on:						
Bank and other borrowings wholly repayable within five years	**4,213**	5,418	**–**	24	**4,213**	5,442
Other borrowings not wholly repayable within five years	**–**	26	**–**	–	**–**	26
Less: amounts capitalised in investment properties/ property, plant and equipment	**(2,955)**	(2,063)	**–**	–	**(2,955)**	(2,063)
	1,258	3,381	**–**	24	**1,258**	3,405

8. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000 (restated)	**2009 HK$'000**	2008 HK$'000 (restated)
Current tax charge (credit):						
Hong Kong	**–**	1,200	**–**	–	**–**	1,200
Other jurisdictions	**–**	(71)	**–**	–	**–**	(71)
	–	1,129	**–**	–	**–**	1,129

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

8. INCOME TAX EXPENSE (continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for each of the year ended 31 December 2008 and 2009. No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amount to approximately HK$405,359,000 (2008: HK$409,370,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for PRC income tax has been made in the consolidated financial statements as all of the PRC subsidiaries have no assessable profits for each of the year ended 31 December 2008 and 2009.

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

	2009 **HK$'000**	2008 HK$'000 (restated)
Profit (loss) before taxation:		
Continuing operations	**67,147**	(22,962)
Discontinued operations	**–**	(46,204)
	67,147	(69,166)
Tax at applicable domestic tax rates	**10,787**	(11,412)
Tax effect of share of results of associates and a jointly controlled entity	**(386)**	5,040
Tax effect of expenses not deductible for tax purpose	**1,943**	11,084
Tax effect of income not taxable for tax purpose	**(13,269)**	(6,216)
Effect of tax loss not recognised	**1,719**	2,633
Utilisation of tax losses previously not recognised	**(794)**	–
Tax charge for the year	**–**	1,129

Note: As the Group operates in different tax jurisdictions, separate reconciliation using the domestic tax rate in each individual tax jurisdiction have been aggregated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

9. DISCONTINUED OPERATIONS

As explained in note 6, the reportable segments of brokerage services, investment banking and industrial and management operating services are classified as discontinued operations during the year ended 31 December 2008.

The net assets of the discontinued operations at the dates of disposals, other than the subsidiaries disposed of as set out in note 33, which has taken into consideration the effect of the change in accounting policy for interests in jointly controlled entities, were as follows:

	2008 HK$'000 (restated)
Net assets disposed of:	
Property, plant and equipment	420
Interests in associates	40,887
Interest in a jointly controlled entity	68,898
Inventories	1,909
Trade and other receivables	2,933
Bank balances and cash	2,296
Trade and other payables	(2,642)
Secured bank and other borrowings	(750)
Net assets disposed of	113,951
Exchange reserve realised	(8,548)
	105,403
Loss on disposal	(15,324)
Total consideration	90,079
Satisfied by:	
Cash	90,079
Net cash inflow arising on disposal:	
Cash consideration	90,079
Bank balances and cash disposed of	(2,296)
	87,783
Net cash inflows (outflows) from the discontinued operations:	
Net cash inflows from operating activities	1,248
Net cash outflows from investing activities	(248)
Net cash outflows from financing activities	(296)
	704

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

9. DISCONTINUED OPERATIONS (continued)

The results and the loss on disposal of the discontinued operations for the period from 1 January 2008 to the relevant dates of disposals (dates on which controls of the relevant entities passed to the respective acquirers), which have been included in the consolidated statement of comprehensive income were as follows:

From 1 January 2008 to date of disposal (restated)

	Brokerage services HK$'000	Investment banking HK$'000	Industrial and management operating services HK$'000	Total HK$'000
Revenue	–	–	2,690	2,690
Direct costs	–	–	(2,016)	(2,016)
Other income	–	–	149	149
Administrative expenses	–	–	(1,317)	(1,317)
Distribution costs	–	–	(11)	(11)
Share of loss of a jointly controlled entity	(26,084)	(1,802)	–	(27,886)
Share of losses of associates	(2,465)	–	–	(2,465)
Finance costs	–	–	(24)	(24)
Loss of discontinued operations for the period	(28,549)	(1,802)	(529)	(30,880)
Loss on disposal of discontinued operations	(10,677)	(980)	(3,667)	(15,324)
	(39,226)	(2,782)	(4,196)	(46,204)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

9. DISCONTINUED OPERATIONS (continued)

Reconciliation of the share of loss of a jointly controlled entity from 1 January 2008 to the date of disposal taking into consideration the effect of the change in accounting policy for interests in jointly controlled entities is as follows:

	As originally stated (using proportionate consolidation method) HK$'000	Effect of change in accounting policies HK$'000	As restated (using equity method) HK$'000
Revenue	3,560	(3,560)	–
Direct cost	(60)	60	–
Administrative expenses	(17,663)	17,663	–
Other expense	(1,942)	1,942	–
Share of loss of a jointly controlled entity	–	(27,886)	(27,886)
Loss on disposal of subsidiaries	(11,782)	11,782	–
Finance cost	(63)	63	–
Income tax credit	64	(64)	–
	(27,886)	–	(27,886)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

10. PROFIT (LOSS) FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000 (restated)	**2009 HK$'000**	2008 HK$'000 (restated)
Profit (loss) for the year has been arrived at after charging (crediting):						
Employee benefits expense, including Directors' emoluments	**54,442**	13,880	**–**	637	**54,442**	14,517
Cost of inventories recognised as an expense	**–**	–	**–**	2,016	**–**	2,016
Release of prepaid lease payments	**1,105**	4,861	**–**	–	**1,105**	4,861
Depreciation for property, plant and equipment	**1,496**	493	**–**	–	**1,496**	493
Auditor's remuneration						
— current year	**783**	900	**–**	–	**783**	900
— underprovision in prior years	**–**	828	**–**	–	**–**	828
Net foreign exchange loss (gain)	**32**	(643)	**–**	–	**32**	(643)
Gain on disposal of property, plant and equipment	**(56)**	(40)	**–**	–	**(56)**	(40)
Gain on disposal of other non-current assets	**–**	(383)	**–**	–	**–**	(383)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2008: thirteen) Directors were as follow:

For the year ended 31 December 2009

		Other emoluments				
Name of Director	Fees HK$'000	Salary and other benefits HK$'000	Discretionary bonuses HK$'000	Contribution to retirement benefits scheme HK$'000	Share-based payments HK$'000	Total HK$'000
Dou Jianzhong	400	-	-	-	299	699
Fung Ka Pun	250	2,880	1,000	12	95	4,237
Hung Chi Yuen Andrew	400	-	-	-	48	448
Lo Wing Yat Kelvin	250	2,433	2,334	243	211	5,471
Lu Zhicheng (appointed on 15 July 2009)	80	-	-	-	48	128
Carolyn Anne Prowse (appointed on 2 November 2009)	33	-	-	-	-	33
Sit Fung Shuen Victor	400	-	-	-	48	448
Toh Hock Ghim	400	-	-	-	48	448
Graham Roderick Walker	300	-	-	-	95	395
Wong Yau Kar David (appointed on 15 July 2009)	80	-	-	-	48	128
Yip Chi Chiu	250	-	-	-	95	345
Zhao Tieliu (appointed on 15 July 2009)	80	-	-	-	48	128
Mohamed Abdulrahman Husain Abdulla Bucheeri (appointed on 19 February 2009 and resigned on 2 November 2009)	167	-	-	-	48	215
	3,090	5,313	3,334	255	1,131	13,123

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For the year ended 31 December 2009

11. DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2008

		Other emoluments		
Name of Director	Fees HK$'000	Salary and other benefits HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Dou Jianzhong (appointed on 31 May 2008)	175	–	–	175
Fung Ka Pun	200	2,880	12	3,092
Hung Chi Yuen Andrew (appointed on 1 July 2008)	125	–	–	125
Lo Wing Yat Kelvin (appointed on 23 April 2008)	133	225	23	381
Sit Fung Shuen Victor (appointed on 1 July 2008)	125	–	–	125
Toh Hock Ghim (appointed on 1 July 2008)	125	–	–	125
Graham Roderick Walker (appointed on 1 July 2008)	100	–	–	100
Yip Chi Chiu (appointed on 23 April 2008)	133	–	–	133
Chung Cho Yee Mico (resigned on 31 May 2008)	73	–	–	73
Dato' Wong Sin Just (resigned on 31 May 2008)	–	1,200	5	1,205
Ho Kwan Tat (resigned on 1 July 2008)	120	–	–	120
Hui Ka Wah Ronnie (resigned on 1 July 2008)	120	–	–	120
Ongpin Roberto V. (resigned on 1 July 2008)	50	–	–	50
	1,479	4,305	40	5,824

No Directors waived any emoluments during the two years ended 31 December 2008 and 2009.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2008: three) were Directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining three (2008: two) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	4,191	614
Discretionary bonuses	3,713	–
Contribution to retirement benefits scheme	419	24
Share-based payments	573	–
	8,896	638

The emoluments were within the following bands:

	Number of individuals	
	2009	2008
Nil — HK$1,000,000	–	2
HK$2,000,001 — HK$2,500,000	1	–
HK$3,000,001 — HK$3,500,000	2	–

13. DIVIDENDS

No dividend has been paid or declared during each of the year ended 31 December 2008 and 2009. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

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For the year ended 31 December 2009

14. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings (loss) per share is based on profit for the year attributable to the owners of the Company of HK$64,332,000 (2008: loss for the year attributable to owners of the Company of HK$70,289,000) and 434,868,833 (2008: 400,633,217) weighted average number of ordinary shares.

From continuing operations

The calculation of the basic earnings (loss) per share is based on profit for the year from continuing operations attributable to the owners of the Company of HK$64,332,000 (2008: loss for the year attributable to owners of the Company of HK$24,085,000) and 434,868,833 (2008: 400,633,217) weighted average number of ordinary shares.

From discontinued operations

For the year ended 31 December 2008, basic loss per share from the discontinued operation is HK11.53 cents per share, based on loss for the year from the discontinued operations attributable to the owners of the Company of HK$46,204,000 and the denominators detailed above for basic loss per share.

Diluted earnings (loss) per share

For the year ended 31 December 2009, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the shares for the year.

No diluted loss per share has been presented for the year ended 31 December 2008 since there has been no potential ordinary shares in issue during the year then ended.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Investment properties under development HK$'000	Total HK$'000
COST					
At 1 January 2008	3,447	3,977	4,425	–	11,849
Additions	333	1,049	1,388	6,725	9,495
Acquisition of subsidiaries	–	15	394	–	409
Transferred from properties for development (note 18)	–	–	–	16,400	16,400
Disposals	–	–	(1,813)	–	(1,813)
Disposal of entities classified as discontinued operations	(3,710)	(3,706)	(1,344)	–	(8,760)
Disposal of other subsidiaries	–	(95)	–	–	(95)
Exchange differences	18	20	–	–	38
At 31 December 2008	88	1,260	3,050	23,125	27,523
Additions	3,678	1,649	864	–	6,191
Transferred to investment properties (note 16)	–	–	–	(23,125)	(23,125)
Disposals	–	–	(1,270)	–	(1,270)
At 31 December 2009	**3,766**	**2,909**	**2,644**	**–**	**9,319**
DEPRECIATION					
At 1 January 2008	3,033	3,501	2,810	–	9,344
Provided for the year	45	204	336	–	585
Disposals	–	–	(1,163)	–	(1,163)
Disposal of entities classified as discontinued operations	(3,068)	(3,401)	(1,164)	–	(7,633)
Disposal of other subsidiaries	–	(46)	–	–	(46)
Exchange differences	3	15	–	–	18
At 31 December 2008	13	273	819	–	1,105
Provided for the year	253	379	864	–	1,496
Disposals	–	–	(846)	–	(846)
At 31 December 2009	**266**	**652**	**837**	**–**	**1,755**
CARRYING VALUES					
At 31 December 2009	**3,500**	**2,257**	**1,807**	**–**	**7,564**
At 31 December 2008	75	987	2,231	23,125	26,418

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold improvements	Over the shorter of the term of the lease, or 20%
Furniture, fixtures and equipment	10% — 33$^1/_3$%
Motor vehicles	20% — 25%

Included in investment properties under development is net interest capitalised of approximately HK$2,063,000 as at 31 December 2008. The properties are developed for future use as investment properties.

16. INVESTMENT PROPERTIES

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
At 1 January 2008	1,823	–	1,823
Net decrease in fair value recognised in the consolidated statement of comprehensive income	(106)	–	(106)
At 31 December 2008	1,717	–	1,717
Transferred from property, plant and equipment (note 15)	–	23,125	23,125
Transferred from prepaid lease payments (note 17)	–	274,118	274,118
Additions	–	145,412	145,412
Disposal	(1,717)	–	(1,717)
Disposals of subsidiaries	–	(442,655)	(442,655)
At 31 December 2009	**–**	**–**	**–**

All of the Group's property interests as at 31 December 2008 were held under operating leases to earn rentals or for capital appreciation purposes and accounted for as investment properties and erected on leasehold interest in land held under medium-term leases outside Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments held for development comprise:

	2009	2008
	HK$'000	HK$'000
Leasehold land in Hong Kong:		
Medium-term lease	–	320,567
Analysed for reporting purposes as:		
Non-current asset	–	312,241
Current asset	–	8,326
	–	320,567

During the year ended 31 December 2008, the Directors conducted a review of the Group's leasehold interests in land and properties for development. An impairment loss of HK$15,357,000 has been recognised in the profit or loss for the year ended 31 December 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

18. PROPERTIES FOR DEVELOPMENT

	Total HK$'000
COST	
At 1 January 2008	48,270
Transferred to property, plant and equipment (note 15)	(23,400)
At 31 December 2008	24,870
Disposals	(24,870)
At 31 December 2009	–
IMPAIRMENT	
At 1 January 2008	28,470
Transferred to property, plant and equipment (note 15)	(7,000)
At 31 December 2008	21,470
Disposals	(21,470)
At 31 December 2009	–
CARRYING VALUE	
At 31 December 2009	–
At 31 December 2008	3,400

During the year ended 31 December 2008, the Group has determined that investment properties would be developed on certain lands upon which certain of these properties are situated. Accordingly, the cost attributable to these properties is transferred to investment properties under development in property, plant and equipment upon the commencement of developing the investment properties.

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For the year ended 31 December 2009

19. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of investment in an associate — unlisted	14,299	–
Share of post-acquisition loss, net of dividends received	(378)	–
Exchange realignment	16	–
	13,937	–

As at 31 December 2009, the Group has interests in the following associate:

Name of associate	Place of establishment/ operation	Form of investment	Proportion of nominal value of issued capital held by the Group	Principal activity
Henan Agricultural Developing Investment Fund Management Co., Ltd.	PRC	Sino-foreign owned enterprise	30%	Fund sourcing and management

No information of the Group's associates as at 31 December 2008 has been presented since the principal associates of the Group has been disposed of during the year then ended. Other associates of the Group, in the opinion of the Directors, do not affect the results or assets of the Company.

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For the year ended 31 December 2009

19. INTERESTS IN ASSOCIATES (continued)

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

	2009 HK$'000	2008 HK$'000
Total assets	**47,066**	–
Total liabilities	**(609)**	–
Net assets	**46,457**	–
Group's share of net assets of an associate	**13,937**	–
Revenue	**–**	8,098
Loss for the year	**(1,259)**	(6,971)
Group's share of losses of associates for the year	**(378)**	(2,659)

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20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009 HK$'000	2008 HK$'000
Cost of investment in a jointly controlled entity — unlisted	95,341	–
Share of post-acquisition loss, net of dividends received	2,909	–
Exchange realignment	135	–
	98,385	–

As at 31 December 2009, the Group has interests in a jointly controlled entity as follows:

Name of entity	Place of registration/ operation	Form of investment	Proportion of registered capital held by the Group	Principal activities
Huaneng Shouguang Wind Power Company Limited	PRC	Sino-foreign enterprise	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

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20. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Summarised financial information in respect of the Group's interest in a jointly controlled entity attributable to the Group's interest therein which are accounted for using the equity method is set out below:

	2009 HK$'000	2008 HK$'000
Non-current assets	**262,044**	–
Current assets	**76,352**	–
Total assets	**338,396**	–
Current liabilities	**(49,835)**	–
Non-current liabilities	**(190,176)**	–
Total liabilities	**(240,011)**	–
Net assets	**98,385**	–
Revenue	**12,249**	3,560
Expense	**(9,340)**	(31,446)
Profit (loss) for the year	**2,909**	(27,886)

Notes to the Consolidated Financial Statements

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21. AVAILABLE-FOR-SALE INVESTMENT

The amount represents approximately 17% of the total units in a trust for which the Group acts as the investment consultant ("Unit Trust Investment").

The Unit Trust Investment targets to provide loans to enterprises with strong profitability and high growth in the PRC. The fair value of the units in the trust was based on the fair value of the underlying fixed-rate loans at the end of reporting period. In the opinion of the Directors, the borrowers are enterprises with strong profitability and high growth, and the loans are sufficiently pledged, secured and guaranteed by certain property interests in the PRC of the creditors.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount represents (i) held-for-trading investments and (ii) a debt security which has been designated as financial asset at fair value through profit or loss upon initial recognition by the management with a principal amount of US$3,000,000 (equivalent to approximately HK$23,253,000) and of which the Group is entitled to convert the debt security into shares of the investee within two years at pre-determined conversion prices or formula for the calculation of conversion prices ("Convertible Debt Investment).

	2009 **HK$'000**	2008 HK$'000
Financial assets at fair value through profit or loss:		
Held-for-trading investments, included in current assets	**33,241**	10,584
Designated at fair value through profit or loss, included in non-current assets	**24,118**	–
	57,359	10,584

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(i) Held-for-trading investments

Held-for-trading investments comprise of:

	2009 **HK$'000**	2008 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	**26,025**	5,195
— Equity securities listed elsewhere	**67**	94
Unlisted equity funds	**7,149**	5,295
	33,241	10,584

Unlisted equity funds represent investments in portfolios of securities managed by financial institutions which mainly invest in quoted investments, and are measured at fair values based on the valuation of the underlying investments provided by the financial institutions at the end of the reporting period. A decrease in fair value of unlisted equity funds of HK$235,000 (2008: HK$698,000) is recognised in the profit or loss for the year ended 31 December 2009.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(ii) Financial asset designated at fair value through profit or loss

The Group designated the Convertible Debt Investment as financial asset at fair value through profit or loss on initial recognition. The fair value at the end of the reporting period was determined by the Directors of the Company with reference to the valuation performed by Roma Appraisals Limited, a firm of independent valuers.

The fair value of the conversion option component of the Convertible Debt Investment at 31 December 2009 was determined using the Black-Scholes option pricing model using the following key inputs:

Exercise price	85% of the par value
Expected volatility	40% per annum
Time to maturity	2 years
Risk-free rate	2% per annum
Dividend yield	0%

The fair value of the debt component of the Convertible Debt Investment was determined using discounted cash flow analysis using a discount rate of 15%.

At 31 December 2009, the fair value of the Convertible Debt Investment was approximately US$3,110,000 (equivalent to approximately HK$24,118,000).

The entire amount of the Convertible Debt Investment is denominated in currency other than the functional currency of the relevant group entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Group's financial assets at fair value through profit or loss that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2009 HK$'000	2008 HK$'000
US Dollars	28,713	2,782
Singapore Dollars	2,593	2,554
Others	27	52
	31,333	5,388

23. MORTGAGE LOANS RECEIVABLE

	2009 HK$'000	2008 HK$'000
Variable-rate mortgage loans receivable	4,477	5,012
Analysed as		
Non-current	4,300	4,820
Current	177	192
	4,477	5,012

The mortgage loans receivable is secured by sub-mortgages on certain residential properties in Hong Kong and bears floating interest with effective interest rates of 6% per annum (2008: 6% to 7.5% per annum).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

23. MORTGAGE LOANS RECEIVABLE (continued)

The mortgage loans receivable are repayable as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**177**	192
More than one year, but not exceeding two years	**168**	183
More than two years, but not exceeding five years	**569**	611
More than five years	**3,563**	4,026
	4,477	5,012

Included in the carrying amount of mortgage loans receivable as at 31 December 2009 was accumulated impairment loss of HK$1,500,000 (2008: HK$1,500,000), which relates to receivable which was past due as at the end of the reporting period and the relevant debtors were in financial difficulties. The Directors consider that the fair value of the sub-mortgages approximates the carrying amount of the mortgage loans receivable. Other than the above, no significant mortgage loans receivable balance has been past due at the end of the reporting period for which the Group has not provided for impairment loss. No provision for impairment loss for the balance not yet past due as at the end of the reporting period was considered necessary since there has been no past default history in respect of those receivables.

24. OTHER NON-CURRENT ASSETS

	2009 HK$'000	2008 HK$'000
Membership licences, at cost	**720**	720
Golf club debentures	**1,104**	1,104
	1,824	1,824

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance as at 31 December 2009 is consideration receivable for the disposal of subsidiaries, as set out in note 33, of HK$165,000,000. At the end of the reporting date, the amount is stakeheld by the solicitors, bearing interest at the prevailing deposit rate and is expected to be recovered within one year.

The full amount of the consideration receivable has been settled at the date of the report.

26. OTHER LOAN RECEIVABLE

The amount as at 31 December 2008 was interest-bearing at fixed rate (with effective interest rate of 22.66% per annum) and repayable within one year. The Group has the right to obtain the borrower's equity interest in certain entities in the PRC in the event of default of payment by the borrower. As at 31 December 2008, the whole amount of other loan receivable was denominated in US Dollars, which is different from the functional currency of the relevant group entity.

Before offering any loan, the Directors of the Company have assessed the potential borrower's credit quality and define credit limits to the borrower. The Directors have continuously assessed the recoverability of other loan receivable. In the opinion of the Directors, the borrower is of good credit quality.

The full amount of the other loan receivable has been settled during the year ended 31 December 2009.

27. PLEDGED BANK DEPOSITS

The pledged bank deposits as at 31 December 2009 are deposits placed with a bank to secure credit facilities granted to a group entity in the PRC. The pledged deposits carried interest at prevailing deposit rates at 0.08% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

28. DEPOSITS PLACED WITH OTHER FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

Bank balances carry interest at prevailing deposit rates which range from 0.001% to 1.0% per annum (2008: 0.01% to 3.8% per annum).

Deposits placed with other financial institutions carry interest at prevailing deposit rates which range from 0.01% to 0.22% per annum (2008: 0.04% to 4.47% per annum).

The Group's deposits placed with other financial institutions and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2009	2008
	HK$'000	HK$'000
US Dollars	**79,636**	238,347
Singapore Dollars	**3,070**	3,088
Others	**121**	2,911
	82,827	244,346

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

29. SECURED BANK AND OTHER BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank borrowings	–	172,440
Other borrowings	–	205
	–	172,645
The secured bank and other borrowings are repayable:		
Within one year	–	172,458
More than one year, but not exceeding two years	–	15
More than two years but not exceeding five years	–	43
More than five years	–	129
	–	172,645
Less: amount due within one year shown under current liabilities	–	(172,458)
Amount due after one year shown as non-current liabilities	–	187

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2009 HK$'000	2008 HK$'000
Floating rate		
— expiring within one year	43,000	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

29. SECURED BANK AND OTHER BORROWINGS (continued)

During the year ended 31 December 2008, the Group's variable-rate bank borrowings carried interest as follows:

	2008 HK$'000
HIBOR + 1.75% per annum	148,250
Hong Kong Prime Rate – 1.5% per annum	24,190
	172,440

As at 31 December 2008, the Group's variable-rate other borrowings carries interest at Hong Kong Prime Rate plus 1.5% per annum.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate borrowings are 1.80% to 6.50% (2008: 1.82% to 5.50%) per annum.

The Group's bank and other borrowings are secured by the following assets:

	2009 **HK$'000**	2008 HK$'000
Property, plant and equipment	–	23,125
Prepaid lease payments	–	320,567
Properties for development	–	3,400
Mortgage loans receivable	–	293
	–	347,385

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	750,000,000	750,000
Issued and fully paid:		
At 1 January 2008 and 31 December 2008	400,633,217	400,633
Issue of shares	44,000,000	44,000
At 31 December 2009	**444,633,217**	**444,633**

On 16 March 2009, arrangements were made for acquisition by independent private investors of 39,000,000 ordinary shares of HK$1 each in the Company held by Right Precious at a price of HK$1.28 per share representing a discount of approximately 42% to the closing market price of the Company's shares on 13 May 2008, the last trading day before the suspension of trading in the shares of the Company on the Stock Exchange pending for restoration of the 25% minimum public float in the shares.

Pursuant to a placing agreement entered into on 16 March 2009, a placing agent procured the placing of 44,000,000 new shares of HK$1 each in the Company at a price of HK$1.78 per share to an independent private investor. The proceeds were used to provide funding of its expansion and growth plan and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 30 May 2008 and rank pari passu with other shares in issue in all respects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to Directors and eligible employees for their contribution to the Group. The Scheme will remain in force for ten years from the date of its adoption, unless otherwise cancelled or amended.

Under the Scheme, the Board of Directors (the "Board") of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up share options to subscribe for shares of the Company subject to the terms and conditions stipulated therein:

(i) any employees or proposed employees (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive Directors (including independent non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any suppliers of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development, or other technological support to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity, or any holder of any securities issued by any member of the Group or any Invested Entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

31. SHARE OPTION SCHEME (continued)

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 December 2009, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised was 29,810,000 representing approximately 6.7% of the issued share capital as at that date. The total number of shares issued and to be issued upon exercise of all share options granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

The period within which a share option may be exercised under the Scheme will be determined by the Board at its absolute discretion, save that it shall end in any event not later than 10 years from the date of grant of the share option (the "Offer Date") subject to the provisions for early termination.

The exercise price in respect of the share option shall be at the discretion of the Board, save that it must be at the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's share. A consideration of HK$1.00 is payable within 28 days from the Offer Date on acceptance of the offer of a share option.

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31. SHARE OPTION SCHEME (continued)

The following table discloses movements of the Company's share options during the current and prior year under the Scheme:

Name or category of participant	Date of grant	Vesting Period	Exercise period	Exercise price HK$	Number of share options: Outstanding at 1.1.2008 and 1.1.2009	Granted during the year	Outstanding at 31.12.2009
Directors							
Dou Jianzhong	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	1,250,000	1,250,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	1,250,000	1,250,000
Fung Ka Pun	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	400,000	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	400,000	400,000
Hung Chi Yuen Andrew	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
Lo Wing Yat Kelvin	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	1,900,000	1,900,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	1,900,000	1,900,000
Lu Zhicheng	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
Sit Fung Shuen Victor	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
Toh Hock Ghim	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
Graham Roderick Walker	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	400,000	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	400,000	400,000
Wong Yau Kar David	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
Yip Chi Chiu	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	400,000	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	400,000	400,000
Zhao Tieliu	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
Mohamed Abdulrahman Husain Abdulla Bucheeri (Note c)	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	200,000	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	200,000	200,000
					–	11,500,000	11,500,000
Employees	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	8,755,000	8,755,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	8,755,000	8,755,000
					–	17,510,000	17,510,000
Other participants	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	–	400,000	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	–	400,000	400,000
					–	800,000	800,000
Total					–	29,810,000	29,810,000

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For the year ended 31 December 2009

31. SHARE OPTION SCHEME (continued)

Notes:

(a) The share options are subject to a vesting period of one year from the date of grant and will be exercisable for a period of two years thereafter.

(b) The share options are subject to a vesting period of two years from the date of grant and will be exercisable for a period of three years thereafter.

(c) Mr. Mohamed Abdulrahman Husain Abdulla Bucheeri resigned as director of the Company on 2 November 2009.

(d) The closing price of the shares of the Company immediately before 9 September 2009, on which the share options were granted, was HK$1.79.

(e) During the year under review, no share options were exercised by any director, chief executive of the Company or other participants and also, no share options were cancelled or lapsed.

(f) All dates are shown day/month/year.

The fair value of the share options granted under the Scheme during the year ended 31 December 2009 was HK$15,099,000. The fair value of the share options granted during the current year is calculated using the Black-Scholes Option Pricing Model (the "Model"). The inputs into the Model and the estimated fair value of the share options granted during the year ended 31 December 2009 were summarised as follows:

	Share options with a vesting period of one year	**Share options with a vesting period of two years**
Exercise price	HK$1.79	HK$1.79
Expected life of share options	1 year	2 years
Expected volatility	63.725% per annum	63.725% per annum
Expected dividend yield	–	–
Risk free rates	0.491% per annum	1.157% per annum
Fair value per share option	HK$0.42	HK$0.59

The Model is one of the commonly used models to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions.

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For the year ended 31 December 2009

31. SHARE OPTION SCHEME (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the past year. The early exercise assumption used in the Model has been estimated, based on management's best estimate, for the effect of behavioural considerations.

The Group recognised the share-based payment expense of HK$3,560,000 for the year ended 31 December 2009 (2008: nil) in relation to share options granted by the Company.

32. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2008

On 14 October 2008, the Group entered into a sale and purchase agreement (the "Agreement") with CIAM Parent pursuant to which the Group was to acquire the entire 100% equity interest in All Victory Limited and its wholly-owned subsidiary, 逸百年投資諮詢(深圳)有限公司, for a consideration of approximately HK$10,037,000. The acquirees are investment consulting companies providing local support services in the PRC to the Group in relation to its investment activities.

Details of the above are set out in the announcement of the Company dated 31 October 2008.

The transaction has been completed on 28 November 2008 and accounted for using the purchase method of accounting.

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32. ACQUISITION OF SUBSIDIARIES (continued)

The net assets acquired in the transaction were as follows:

	2008 Acquirees' carrying amounts before combination and fair value HK$'000
Net assets acquired:	
Property, plant and equipment	409
Prepayments, deposits and other receivables	1,236
Bank balances and cash	8,553
Accruals and other payable	(161)
	10,037
Total consideration satisfied by:	
Cash	10,037
Net cash outflow arising on acquisition:	
Cash consideration paid	10,037
Bank balances and cash acquired	(8,553)
	1,484

The subsidiaries acquired contributed approximately HK$290,000 to the Group's loss for the year ended 31 December 2008 between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2008, the Group's revenue for the year would have been HK$4,084,000, and loss for the year would have been HK$71,998,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future results.

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33. DISPOSAL OF SUBSIDIARIES OTHER THAN THOSE CLASSIFIED AS DISCONTINUED OPERATIONS

For the year ended 31 December 2009

During the year ended 31 December 2009, a non-wholly owned subsidiary of the Group disposed of its entire interests in Gold Jade International Holdings Limited and its wholly owned subsidiaries, Elite Way International Development Limited and Right Max Development Limited (collectively referred to as the "Gold Jade Group") at a consideration of HK$508,000,000.

The net assets disposed of at the date of disposal were as follows:

	2009 HK$'000
Net assets disposed of:	
Investment properties	442,655
Amount due to immediate holding company	(496,243)
	(53,588)
Assignment of shareholder's loan	496,243
Gain on disposal	65,345
Total consideration	508,000
Satisfied by:	
Cash	343,000
Consideration receivable (included in prepayments, deposits and other receivables)	165,000
	508,000
Net cash inflow arising on disposal:	
Cash consideration	343,000
Net cash inflow (outflow) contributed by the Gold Jade Group up to the date of disposal:	
Net cash outflows from operating activities	(479)
Net cash outflows from investing activities	(142,457)
Net cash inflows from financing activities	142,919
	(17)

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For the year ended 31 December 2009

33. DISPOSAL OF SUBSIDIARIES OTHER THAN THOSE CLASSIFIED AS DISCONTINUED OPERATIONS (continued)

For the year ended 31 December 2008

During the year ended 31 December 2008, the Group disposed of the interest of certain subsidiaries other than those classified as discontinued operations as set out in note 10 at an aggregate consideration attributable to the Group of HK$71,900,000.

	2008 HK$'000
Net assets disposed of:	
Property, plant and equipment	49
Available-for-sale investments	67,362
Conversion option embedded in convertible notes	3,171
Other non-current assets	3,014
Prepayments, deposits and other receivables	232
Accruals and other payables	(13)
Taxation payable	(7,568)
	66,247
Minority interests	(206)
Revaluation reserve realised	(26,693)
Exchange reserve realised	(175)
	39,173
Gain on disposal	32,727
Total consideration	71,900
Satisfied by:	
Cash	71,900
Net cash inflow arising on disposal:	
Cash consideration received	71,900

The above subsidiaries disposed of during the year ended 31 December 2008 did not have a material impact on the Group's cash flows or operating results.

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For the year ended 31 December 2009

34. OPERATING LEASES

The Group as leasee

Minimum lease payments paid under operating leases during the year in respect of premises amounted to HK$5,725,000 (2008: HK$1,790,000).

At the end of the reporting periods, the Group had commitments for future minimum lease payments for an office under non-cancellable operating lease which falls due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	206	–
In the second to fifth year inclusive	311	–
	517	–

35. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— capital contribution to a fund (Note)	90,729	–
— capital investment in unlisted equity securities	8,546	10,556
— capital commitment for the acquisition of property, plant and equipment	391	–
	99,666	10,556

Note: On 30 June 2009, CIAM Environmental Investments Limited, a wholly owned subsidiary of the Company, entered into a cooperation agreement with a third party pursuant to which the Group has committed to contribute the said amount in a fund with a target size of US$99,990,000 (equivalently to approximately HK$775,116,000). The fund will focus in investments in high technology and energy businesses in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

36. RETIREMENT BENEFITS PLANS

The Group operates the MPF Scheme established under the Mandatory Provident Fund Ordinance in January 2007 and the ORSO Scheme established under the Occupational Retirement Scheme Ordinance in January 2007. The assets of the MPF Scheme and ORSO Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme. The Group contributes 10% of relevant payroll costs to the ORSO Scheme, with a vesting scale of 0%-100%, according to the years of service of relevant employees. Amount recognised in profit or loss during the year in respect of retirement benefit costs is HK$1,865,000 (2008: HK$270,000).

37. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information of the statement of financial position of the Company as at 31 December 2009:

	2009	2008
	HK$'000	HK$'000
Total assets	**1,883,323**	1,883,944
Total liabilities	**1,316,272**	1,331,078
	567,051	552,866
Capital and reserves		
Share capital	**444,633**	400,633
Reserves (Note a)	**122,418**	152,233
	567,051	552,866

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

37. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) Reserves

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000
At 1 January 2008	–	–	2,184	196,277	198,461
Loss and total comprehensive expense for the year	–	–	–	(46,228)	(46,228)
At 31 December 2008	–	–	2,184	150,049	152,233
Loss and total comprehensive expense for the year	–	–	–	(65,345)	(65,345)
Issuance of shares	34,320	–	–	–	34,320
Share issue expense	(2,350)	–	–	–	(2,350)
Recognition of equity-settled share-based payments	–	3,560	–	–	3,560
At 31 December 2009	**31,970**	**3,560**	**2,184**	**84,704**	**122,418**

(b) Other reserve

Other reserve arose as a result of repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid.

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38. RELATED PARTY DISCLOSURES

(i) Transactions with related parties

During the current and prior years, the Group entered into the following transactions with related parties:

	Management fee income	
	2009	2008
	HK$'000	HK$'000
CIAM Parent (After 8 April 2008, Note a)	**32,244**	2,035
SBI E2-Capital Limited ("SBI E2") (Prior to 8 April 2008, Note b)	**–**	52
	32,244	2,087

Notes:

(a) Being the date on which CIAM Parent became the ultimate holding company of the Company.

(b) Being the date on which SBI E2 ceased to be a related party of the Group following the completion of the disposal by the Group as set out in note 9. SBI E2 was a jointly controlled entity of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

38. RELATED PARTY DISCLOSURES (continued)

(i) Transactions with related parties (continued)

In addition to the above, the Group had also entered into the following transactions with related parties during the year ended 31 December 2008.

(a) The Group has disposed of

(I) entities classified as discontinued operations to a company controlled by two Directors of the Company (one of whom is no longer a Director as at 31 December 2008 and 2009) for a total consideration of approximately HK$71,975,000.

(II) other subsidiaries to a company controlled by a Director of the Company for a consideration of approximately HK$50,000,000.

The former Director resigned as a Director of the Company on 31 May 2008.

(b) As set out in note 32, the Group has acquired certain subsidiaries from CIAM Parent for a total cash consideration of HK$10,037,000.

(ii) Key management compensation

The remuneration of Directors and other key personnel, who represent the key management of the Group, during the year was as follow:

	2009 HK$'000	2008 HK$'000
Short-term benefits	23,636	5,784
Retirement benefits scheme contributions	896	40
Share-based payments	2,134	–
	26,666	5,824

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

38. RELATED PARTY DISCLOSURES (continued)

(iii) Balances with related parties

	2009 HK$'000	2008 HK$'000
Amount due from immediate holding company (Note a)	**17,850**	1,986
Bank balances with related parties (Note b, included in bank balances and cash)	**170,033**	32,333
Amount due to a fellow subsidiary (Note a)	**14,314**	–
Loans from minority shareholders of subsidiaries (Notes a and c)	**36,755**	36,851

Notes:

(a) The amount is unsecured, interest-free and is expected to be recovered within one year.

(b) The balances represent bank balances placed with two banking institutions, which are subsidiaries of CITIC Group, a substantial shareholder of the ultimate holding company of the Company.

(c) Included in the balance of loans from minority shareholders of subsidiaries is an amount of HK$39,000 (2008: HK$39,000) that is denominated in US Dollars, which is different from the functional currency of the relevant group entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the secured bank and other borrowings, amount due to a fellow subsidiary and loans from minority shareholders of subsidiaries disclosed in notes 29 and 38, and equity attributable to equity holders of the Company, comprising issued share capital, various reserves and retained profits.

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

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Held-for-trading investments	**33,241**	10,584
— Designated at fair value through profit or loss	**24,118**	–
Loans and receivables (including cash and cash equivalents)	**468,137**	334,221
Available-for-sale investment	**56,803**	–
	582,299	344,805
Financial liabilities		
Amortised cost	**51,432**	213,568

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, financial asset designated at fair value through profit or loss, held-for-trading investments, other receivables, mortgage loans receivable, amount due from immediate holding company, pledged bank deposits, deposits placed with other financial institutions, bank balances and cash, other payables, amount due to a fellow subsidiary and loans from minority shareholders of subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

Market risk

(i) Currency risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong dollars, the functional currency of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
US dollars	**108,348**	284,959	**39**	39
Singapore dollars	**5,663**	3,088	**–**	–
Others	**149**	2,963	**–**	46
	114,160	291,010	**39**	85

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items, other than the items denominated in US dollars, as the Directors consider that the Group's exposure to US dollars is insignificant on the grounds that Hong Kong dollars is pegged to US dollars. The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the other relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit/an increase in loss where Hong Kong dollars strengthen 5% against the relevant foreign currency. For a 5% weakening of Hong Kong dollars against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss.

	Singapore dollars	
	2009	2008
	HK$'000	HK$'000
Effect on profit (loss) for the year	**(154)**	(282)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group's exposures to cash flow interest rate risk are mainly related to variable-rate pledged bank deposits, deposits placed with other financial institutions, bank balances (see notes 27 and 28 for details of these deposits) and secured bank and other borrowings (see note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's Hong Kong dollars borrowings.

The Group is exposed to fair value interest rate risk in relation to the Unit Trust Investment classified under available-for-sale investment. The Group manages such interest rate exposure through the Investment Manager. The Group considers that there is no significant impact on the results of the Group arising from the volatility of interest rates as the interest rates for the underlying receivables have been fixed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates of variable-rate pledged bank deposits, deposits placed with other financial institutions, bank balances and secured bank and other borrowings. The analysis is prepared assuming the amount of the outstanding at the end of the reporting period was outstanding for the whole year. An increase or decrease of (i) 10 basis points for pledged bank deposits, deposits placed with other financial institutions and bank balances and (ii) 50 basis points for secured bank or other borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower, as appropriate, and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would increase/decrease by HK$1,146,000 (2008: loss for the year would decrease/increase by HK$282,000).

No sensitivity analysis on interest rate risk for secured bank and other borrowings has been presented for the year ended 31 December 2009 since there were no secured bank and other borrowings outstanding as at 31 December 2009.

If interest rates had been 50 basis points higher/lower for secured bank and other borrowings, as appropriate, and all other variables were held constant, the Group's loss for the year ended 31 December 2008 would increase/decrease by HK$863,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Equity and other price risk

The Group is exposed to equity price risk through its investments in held-for-trading investments and financial asset designated at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices of the respective equity instruments of the held-for-trading investments had been 5% higher/lower, profit for the year ended 31 December 2009 would increase/decrease by HK$1,662,000 (2008: loss for the year would decrease/increase by HK$529,000) as a result of the changes in fair value of held-for-trading investments.

As set out in note 22, the fair value of the conversion component of the Convertible Debt Instruments were valued using the Black-Scholes option pricing model, which based on assumptions that are not supported by observable current market transactions nor based on available observable market data. The fair values of the Convertible Debt Instruments recognised in the consolidated financial statements would have been changed significantly if one or more of those assumptions were changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Equity and other price risk (continued)

Sensitivity analysis (continued)

If one of the key inputs to the valuation model had been 10% higher or lower while all other variables were held constant, the profit for the year ended 31 December 2009 would have been increased (decreased) as follows.

	10% higher HK$'000	10% lower HK$'000
Market interest rate	17	(16)
Expected volatility	266	(268)

In management's opinion, the sensitivity analyses are not necessarily representative of the inherent market risk as the pricing model used in the fair value valuation involves multiple variables where certain variables are interdependent.

Credit risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

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

The credit risks of the loans financing projects invested under the Unit Trust Investment classified as available-for-sale investment are regularly monitored by Investment Manager of the Group. The Group has concentration of credit risk in the Unit Trust Investment as the loans under the investment was lent to three borrowers. The Group considers the credit risk on the Unit Trust Investment is limited as the borrowers are enterprises with strong profitability and high growth in the PRC, and the loans are sufficiently pledged, secured and guaranteed.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group also has concentration of credit risk as the amount due from immediate holding company is due from a single entity. As the immediate holding company of the Group has good financial health and good credit standings, the management considers the credit risk is minimal.

In addition, the Group has concentration of credit risk on liquid funds which are deposited with several banks and other financial institutions with good reputation. Other than the above, the Group does not have any other significant concentration of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

The Group has net current assets amounting to approximately HK$421,941,000 at 31 December 2009 (2008: HK$132,456,000). The Group has sufficient funds to finance its current working capital requirements.

In management of the liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group's financial liabilities as at 31 December 2009 represent other payables, amount due to a fellow subsidiary and loans from minority shareholders of subsidiaries. All of these balances are interest free and repayable on demand. The management considers that no maturity table is required to be presented by virtue of its nature.

The following table details the Group's contractual maturity for its financial liabilities as at 31 December 2008. The table for non-derivative financial liabilities has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk table

	Weighted average effective interest rate	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount at 31 December 2008 HK$'000
2008							
Non-derivative financial liabilities							
Other payables	–	4,072	–	–	–	4,072	4,072
Bank and other borrowings — variable rate	3.1%	4	4	177,859	241	178,108	172,645
Loans from minority shareholders of subsidiaries	–	36,851	–	–	–	36,851	36,851
		40,927	4	177,859	241	219,031	213,568

(c) Fair values of financial instruments

Save as mentioned elsewhere in the consolidated financial statements, the fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes option pricing model).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets ("Level 1 measurements");
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ("Level 2 measurements"); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3 measurements").

	Level 1 measurements HK$'000	Level 2 measurements HK$'000	Level 3 measurements HK$'000	Total HK$'000
Financial asset designated at fair value through profit or loss	–	–	**24,118**	**24,118**
Held-for-trading investments				
— Listed equity securities	**26,092**	–	–	**26,092**
— Unlisted equity funds	–	**7,149**	–	**7,149**
	26,092	**7,149**	–	**33,241**
Available-for-sale investment				
— Unit Trust Investment	–	–	**56,803**	**56,803**
	26,092	**7,149**	**80,921**	**114,162**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL INSTRUMENTS (continued)

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

Reconciliation of Level 3 measurements of financial assets is as follows:

	Financial asset designated at fair value through profit or loss HK$'000	Available-for-sale investment HK$'000	Total HK$'000
At 1 January 2009	–	–	–
Purchases	23,253	56,764	80,017
Total gains or losses recognised in profit or loss, included in fair value gain on financial asset designated at fair value through profit or loss	865	–	865
Exchange adjustment	–	39	39
At 31 December 2009	**24,118**	**56,803**	**80,921**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2009 and 31 December 2008 are as follows:

Name of subsidiary	Place/ country of incorporation/ operations	Class of share capital	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company (Note i) 2009 %	2008 %	Principal activities
Access Way Investment Limited	Hong Kong	Ordinary	HK$2	**100**	100	Property development
Active Way International Limited	Hong Kong	Ordinary	HK$2	**100**	100	Financing
Bowen Limited	Hong Kong	Ordinary	HK$2	**100**	100	Investment holding
Cash Level Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	**100**	100	Investment holding
CIAM Investment (BVI) Limited (formerly known as Goodwill Investment (BVI) Limited)	British Virgin Islands/ Hong Kong	Ordinary	US$100	**100**	100	Investment holding
CIAM Properties (Holdings) Limited (formerly known as Goodwill Properties (Holdings) Limited)	British Virgin Islands/ Hong Kong	Ordinary	US$1	**100**	100	Investment holding
CIAM Properties Limited (formerly known as Goodwill Properties Limited)	Hong Kong	Ordinary	HK$2	**100**	100	Investment holding
CIAM (Tianjin) Investment Consulting Limited (Note ii)	PRC	Registered	HK$2,000,000	**100**	100	Investment consultancy services
Elite Way International Development Limited	Hong Kong	Ordinary	HK$1,000,000	**–**	75	Property development

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place/ country of incorporation/ operations	Class of share capital	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company (Note i) 2009 %	2008 %	Principal activities
Oceanpass Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1,000	**75**	75	Investment holding
Profit Union Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	**100**	100	Investment holding
Right Max Development Limited	Hong Kong	Ordinary	HK$1,000,000	**–**	75	Property development
Right Way Holdings Limited	Hong Kong	Ordinary	HK$10	**70**	70	Financing
Timely Era Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	**100**	100	Financing
逸百年投資諮詢(深圳)有限公司 (Note ii)	PRC	Registered	RMB60,000,000	**100**	100	Investment consultancy services
信安通(北京)投資顧問有限公司 ("信安通") (Note ii)	PRC	Registered	HK$3,000,000	**100**	100	Investment consultancy services

Notes:

(i) The Company directly holds the interest in CIAM Investment (BVI) Limited, Bowen Limited, Timely Era Limited and 信安通. All other interests shown are indirectly held by the Company.

(ii) These companies are wholly-foreign owned enterprises established in the PRC.

The above table listed the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Company. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

Financial Summary

RESULTS

	Year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Continuing operations					
Revenue	98,693	144,600	8,060	(3,393)	**36,087**
Profit (loss) before taxation from continuing operations	49,525	57,314	17,739	(22,962)	**67,147**
Income tax expense	(2)	(78)	(8,934)	(1,129)	**–**
Profit (loss) for the year form continuing operations	49,523	57,236	8,805	(24,091)	**67,147**
Discontinued operations					
(Loss) profit for the year from discontinued operations	–	(3,452)	18,229	(46,204)	**–**
Profit (loss) for the year	49,523	53,784	27,034	(70,295)	**67,147**
Attributable to:					
Owners of the Company	50,511	53,986	27,046	(70,289)	**64,332**
Minority interests	(988)	(202)	(12)	(6)	**2,815**
	49,523	53,784	27,034	(70,295)	**67,147**

ASSETS AND LIABILITIES

	At 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Total assets	871,002	862,385	864,223	698,731	**706,447**
Total liabilities	(276,192)	(286,422)	(277,899)	(216,042)	**(77,575)**
	594,810	575,963	586,324	482,689	**628,872**
Equity attributable to owners of the Company	593,675	575,030	585,403	479,833	**623,869**
Minority interests	1,135	933	921	2,856	**5,003**
	594,810	575,963	586,324	482,689	**628,872**

Note: The financial information for each of the three years ended 31 December 2007 has been restated for the operations discontinued in 2007 and 2008.

CIAM Group Limited
事安集團有限公司

Subsidiary of CITIC International Assets Management Limited