



**OPES ASIA DEVELOPMENT LIMITED**

**華保亞洲發展有限公司\***

(Continued into Bermuda with limited liability)  
(Stock Code : 810)



Annual Report  
**2009**

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

Dr. Wai Chung Fai (*Chairman*)

Shiu Kwok Keung

Chu Wai Lim

Fong Son Wa

### Independent Non-executive Directors:

Tsang Wai Wa

Chen Man Lung

Choi Shek Chau

## AUDIT COMMITTEE

Tsang Wai Wa (*Chairman*)

Chen Man Lung

Choi Shek Chau

## REMUNERATION COMMITTEE

Chu Wai Lim (*Chairman*)

Tsang Wai Wa

Chen Man Lung

Choi Shek Chau

## COMPANY SECRETARY

Yeung Ming Kong, Kenneth

## AUDITORS

Lau & Au Yeung C.P.A. Limited

## INVESTMENT MANAGER

Up Way Asia Fund Management Limited

## PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

## CUSTODIAN

Standard Chartered Bank (Hong Kong) Limited

## SOLICITORS

### As to Hong Kong Law

D.S. Cheung & Co.

### As to Bermuda Law

Appleby Hunter Bailhache

## REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3604B, 36th Floor

Tower 2, Lippo Centre

89 Queensway

Hong Kong

## REGISTRARS IN HONG KONG

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

## STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

810

# Management's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Opes Asia Development Limited (the "Company") for the year ended 31 December 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Operational Review for 2009

In 2009, several new personnel with rich experience in finance and investment joined our Company. We reformulate our investment objective and focus on green conservation related projects, as well as strengthening the existing projects. To achieve our medium and long term return target, we endeavor to green projects with a balance of profitability and sustainability as our investment fundamental, and pick up opportunities in the securities market to obtain stable return.

### 2. Investment Review

Benefiting from economic recovery in the second half of 2009, the Company's earnings for the year amounted to approximately HK\$1,560,000 (2008: a loss of approximately HK\$45,000,000), mainly due to the gain attributable to changes in fair value of the financial assets at fair value through profit or loss of approximately HK\$11,500,000.

The improvement in economy and increased inflow of capital, the PRC's economy continued to rebound during 2009. The financial leasing industry as well as domestic market of the PRC have also experienced rapid recovery in the same year. The Company developed certain unlisted investment projects, including green biotechnology, organic farming and emerging leasing in the PRC. Such projects contributed a net investment income (guaranteed return) of HK\$5,280,000 to the Company.

Details of the mix of our portfolio of the invested assets of the Company as at 31 December 2009 are set out in note 19 to the financial statements.

# Management's Statement

## 3. Human Resources

As at 31 December 2009, the Company has 4 Executive Directors and 3 Independent Non-executive Directors and 2 professional employees.

Once again, we place high value on our staffs as they are our most valuable assets to grow with the Company. We encourage our staffs to be the best in their roles by providing training in diversified fields and address both personal development and work skills. We also provide workshops for staffs at different levels to build team spirit and morale. Our staffs are rewarded based on company performance as well as their performance and contribution to the Company.

## 4. Capital Adequacy and Financing

As at 31 December 2009, the Company had cash and bank balances of approximately HK\$25.10 million. Invested assets increased by approximately HK\$14.00 million to approximately HK\$53.89 million, which indicated a 35% increase as compared to the previous year.

As at 31 December 2009, the Company's net assets were approximately HK\$84.56 million, an increase of approximately 70% as compared to 2008.

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

During the year under review, the Company's assets, liabilities and transactions were mainly denominated in Hong Kong Dollars and Australian Dollars. Because of its short-term nature, the Company had not actively hedged risks arising from the Australian Dollars.

The Company's gearing ratio as at 31 December 2009 was nil (2008: nil) as there was no long term borrowing at the end of the reporting period.

## 5. Charges on the Company's assets and contingent liabilities

As at 31 December 2009, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

## 6. Litigation

The Company has no pending litigation and proceedings.

# Management's Statement

## 7. Prospects

After several decades of arguments on global warming and energy conservation, fortunately, people are now gradually reaching a consensus with a common hope to contribute to our environment and our future. Opes Asia Development Limited is also committed to participating in, and becoming a part of, it.

Our investment philosophy is to invest in projects which are beneficial to ecological development, economic development and social development. Some progress has been made in our investment in the green agriculture. Such investments were primarily made through the use of biotechnological techniques for soil improvement, thus increasing the arable land, speeding up the green coverage, and focusing on upgrading the quality and quantity of crops in the PRC.

In addition to environmental conservation, food safety is also an issue of public concern. Heavy use of pesticides, hormones and antibiotics has brought a warning to our daily consumption of cereals, fruits, vegetables and meat. Those techniques have also been put to tests in the feed and positive results have been recorded. In addition, the livestock can be kept healthy even without relying on hormones and antibiotics in the trial. Moreover, the value of livestock can also be enhanced significantly.

On the other hand, our Company is positive to the electric vehicle industry. The electric vehicle industry is still in its infancy, which means enormous business opportunities in respect of battery performance, battery management, charging speed and photo-voltaic power source. Leveraged on the investment experience of our team, we are looking for suitable investment opportunities and more strategic partnership to jointly explore this new opportunity.

On behalf of the Board

**Shiu Kwok Keung**

*Executive Director*

Hong Kong, 21 April 2010

# Biographical Details of Directors

## EXECUTIVE DIRECTORS

**Dr. Wai Chung Fai**, aged 52, joined the Company as an Executive Director in December 2007. Dr. Wai is also the Chairman of the Company. Dr. Wai holds a Doctor of Philosophy (Ph.D.) from the State University of New York at Buffalo, United States of America. Dr. Wai is presently operating two sizeable farms producing top-grade red, white and ice wines in Canada. With proprietary knowledge and techniques, his vineyard has successfully mixed grapes with various high-grade fruit juices, such as black currant, cherry and blueberry juices, to make a variety of quality fruit wines. Dr. Wai is highly dedicated to natural farming and the health food industry in Canada.

**Mr. Shiu Kwok Keung**, aged 42, appointed as Chief Executive Officer of the Company with effect from 1 July 2009. Mr. Shiu has been re-designated as an Executive Director of the Company and has ceased to be the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company with effect from 22 January 2009. Mr. Shiu was appointed on 1 March 2006 as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Shiu is also an Independent Non-executive Director of China Bio Cassava Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Shiu was a member of the senior management of China Solar Energy Holdings Limited, a company whose shares are listed on the Stock Exchange, during 2006. Mr. Shiu has extensive experience in finance, accounting and management. Mr. Shiu holds a Master of Science degree in finance from the National University of Ireland, Dublin, a Master of Professional Accounting degree from the Southern Cross University in Australia, and a Bachelor of Social Science degree in China Studies (Economics) from the Hong Kong Baptist University. He is a Chartered Financial Analyst Charterholder and a Certified Practising Accountant of CPA Australia.

**Mr. Chu Wai Lim**, aged 32, joined the Company as an Executive Director in January 2005. Prior to that, Mr. Chu was a Chief Financial Officer and Company Secretary of ViaGOLD Capital Limited, a listed company in Australia, Mr. Chu had also been working in a company whose shares are listed on the Stock Exchange, as an executive assistant responsible for the group's administration, accounting, finance and information technology related management activities for 3 years. Mr. Chu holds a Bachelor of Arts degree in Economics from San Francisco State University.

**Ms. Fong Son Wa**, aged 30, joined the analytical team of the Company in August 2006 and became an Executive Director in October 2007. Ms. Fong holds a Postgraduate Diploma in Development Finance from The University of Manchester, UK; and a dual honours degree in Business Administration and Finance at University of Keele, UK. Her selected research focused on business development in emerging and developing countries. Her career started at the research tour to Sri Lanka performing research analysis in its financial monetary system. She has also served in The Universal.com Technology Ltd as business analyst. In early 2003, she joined one of the largest state-owned banking institutes, Bank of China Group, toured through various positions, such as research analysis, financial products, etc. She has gained extensive knowledge in the field of business incubation and development in the emerging markets.

# Biographical Details of Directors

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tsang Wai Wa**, aged 49, has been appointed as an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 7 April 2009. Mr. Tsang is a holder of a Bachelor degree in Finance and Accounting and a Master degree in Business Administration. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting, company secretary and corporate finance experience.

**Mr. Chen Man Lung**, aged 44, joined the Company as an Independent Non-executive Director in September 2006. Mr. Chen is the Executive Director of Culturecom Holdings Limited and China Bio Cassava Holdings Limited, both companies shares are listed on the Stock Exchange. He is the CFO and the Deputy CEO of ViaGOLD Capital Limited, a listed company in Australia. He is also a Director of the Hong Kong Comics & Animation Federation Limited and an academic advisor to Academy of Visual Arts as well Humanities Programme of Hong Kong Baptist University. Mr. Chen was a Non-executive Director of Mobile Telecom Network (Holdings) Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange, from March 2002 to November 2004. Mr. Chen obtained his Bachelor of Arts degree in Sociology from the Hong Kong Baptist University and Master of Arts degree in Chinese Studies from the Hong Kong University of Science and Technology. Mr. Chen has over 16 years of extensive experience in investment industry.

**Mr. Choi Shek Chau**, aged 53, joined the Company as an Independent Non-executive Director a member of the Audit Committee and a member of the Remuneration Committee of the Company in July 2008. Mr. Choi is the Founder of Fang Zheng TV Production Company Limited (Liaoning province) ("Fang Zheng TV") (遼寧省方正電視片製作有限公司) and Bo Hai Group Company Limited (Liaoning province) ("Bo Hai Group") (遼寧省勃海集團有限公司). Mr. Choi studied Chinese literature & history from the University of Macau. Mr. Choi has extensive experience in China Trade. In 1990, Mr. Choi established the Fang Zheng TV, and developed successful business via setting up a joint venture with the local TV production house in producing various arts programs. In 1993, his Hong Kong based company and the Liaoning province established the Bo Hai Group to perform the real estate investment and development projects. Mr. Choi have earned over 15 years of solid business experience from such investment in real estate in China.

# Report of the Directors

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

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong and Australia.

An analysis of the Company's performance for the year by operating segment is set out in note 5 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2009 and the state of affairs at that date are set out in the financial statements on pages 21 to 23.

The Directors do not recommend the payment of a dividend.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year are set out in notes 14 to the financial statements.

## SHARE CAPITAL

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

## RESERVES

Details of the movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 24.

## DISTRIBUTABLE RESERVES

Under the Companies Act of the Bermuda, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Bye-Laws and a statutory solvency test. In accordance with Bye-Law 143 the dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to HK\$82,933,576 as at 31 December 2009.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 72. This summary does not form part of the audited financial statements.

# Report of the Directors

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

The Company has not purchased, sold or redeemed any of its own shares during the year.

## SHARE OPTIONS

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

As at 31 December 2009, details of the share options granted under the share option scheme of the Company adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002 are as follows:

Grantee	Position	Held at 1 January 2009	Granted during the year	Expired during the year	Exercised during the year	Held at 31 December 2009	Exercise price HK\$	Grant date	Exercisable from	Exercisable until
<b>Directors</b>										
Wai Chung Fai	Executive director (Chairman)	7,000,000	–	–	–	7,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		–	3,000,000	–	–	3,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Chu Wai Lim	Executive director	6,000,000	–	–	6,000,000	–	0.175	30 January 2008	30 January 2008	29 January 2018
		–	3,000,000	–	3,000,000	–	0.170	10 June 2009	10 June 2009	9 June 2019
Fong Son Wa	Executive director	6,000,000	–	–	–	6,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		–	3,000,000	–	2,000,000	1,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Choi Shek Chau	Independent and Non-Executive director	–	1,000,000	–	–	1,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
<b>Options granted in excess of the individual limit (Director and Substantial holder)</b>										
Shiu Kwok Keung	Executive director (CEO)	–	20,000,000	–	–	20,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
Look Andrew	Substantial Shareholder under SFO	–	45,000,000	–	–	45,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
<b>Former Director</b>										
Lau Shun Chi, Benjamin (Note)	Former Executive director and CEO	8,000,000	–	–	–	8,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		–	2,000,000	–	–	2,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
<b>Employees</b>										
In aggregate	Employee	1,600,000	–	–	600,000	1,000,000	0.175	30 January 2008	30 January 2008	29 January 2018
		–	1,000,000	–	–	1,000,000	0.170	10 June 2009	10 June 2009	9 June 2019
<b>Others</b>										
In aggregate	Consultants	70,400,000	–	–	5,500,000	64,900,000	0.175	30 January 2008	30 January 2008	29 January 2018
		–	57,960,000	–	4,500,000	53,460,000	0.170	10 June 2009	10 June 2009	9 June 2019
		<u>99,000,000</u>	<u>135,960,000</u>	<u>–</u>	<u>21,600,000</u>	<u>213,360,000</u>				

Note: Mr. Lau Shun Chi, Benjamin resigned as an Chief Executive Officer and Executive Director effective on 30 June 2009.

# Report of the Directors

At 10 June 2009, the date before the options were granted, the market value per share was HK\$0.170. The value of the options granted to the respective parties is as follows:

	Number of options granted during the year	HK\$
Wai Chung Fai	3,000,000	130,901
Shiu Kwok Keung	20,000,000	872,676
Chu Wai Lim	3,000,000	130,901
Fong Son Wa	3,000,000	130,901
Choi Shek Chau	1,000,000	43,634
Look Andrew	45,000,000	1,963,521
Employees	1,000,000	43,634
Lau Shun Chi, Benjamin (Note)	2,000,000	87,268
Others	61,650,000	2,529,015
	139,650,000	5,932,451

## DIRECTORS

The Directors of the Company during the year were as follows:

### *Executive Directors:*

Dr. Wai Chung Fai

Mr. Shiu Kwok Keung (re-designated as Executive Director on 22 January 2009)

Mr. Chu Wai Lim

Ms. Fong Son Wa

Mr. Lau Shun Chi, Benjamin (resigned on 30 June 2009)

### *Independent Non-executive Directors:*

Mr. Tsang Wai Wa (appointed on 7 April 2009)

Mr. Chen Man Lung

Mr. Choi Shek Chau

Mr. Shiu Kwong Keung (re-designated as Executive Director on 22 January 2009)

In accordance with the Company's Bye-laws, Dr. Wai Chung Fai, Mr. Shiu Kwok Keung, Ms. Fong Son Wa and Mr. Tsang Wai Wa will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2009, the interest and short positions of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### (a) Long Positions in Ordinary Shares of the Company:

Name of Directors	Number of shares held, capacity and nature of interest				Total	Approximate percentage of the Company's issued share <i>Note (i)</i>
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Chu Wai Lim	9,000,000	–	–	–	9,000,000	0.55%
Fong Son Wa	2,000,000	–	–	–	2,000,000	0.12%

### (b) Long Position in Share Options of the Company:

Name of Directors	Number of options directly beneficially owned	Approximate percentage of the Company's issued share <i>Note (i)</i>
Wai Chung Fai	10,000,000	0.61%
Shiu Kwok Keung	<i>Note (ii)</i>	1.23%
Fong Son Wa	7,000,000	0.43%
Choi Shek Chau	1,000,000	0.06%
	38,000,000	

Notes:

- (i) As at 31 December 2009, the total number of issued shares of the Company was 1,630,200,000.
- (ii) For the 20,000,000 share options, Shareholders' approval was obtained at the special general meeting which was held on 19 August 2009 and the Listing Committee of the Stock Exchange granted the listing of and permission to deal in such number of Shares which may be issued pursuant to exercise of options to be granted.

# Report of the Directors

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, the register of substantial shareholders maintained by the Company under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital or share options.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Look Andrew	beneficial	170,000,000	10.43%

In addition, Mr. Look has a personal interest in 45,000,000 underlying shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, as at 31 December 2009, no person, other than the Director whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of Part XV of the SFO.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## EVENTS AFTER THE REPORTING PERIOD

The Company has no significant events after the reporting period to report.

# Report of the Directors

## **PRE-EMPTIVE RIGHTS**

There is no provision 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.

## **CONNECTED TRANSACTIONS**

Details of the connected transactions are set out in note 28 to the financial statements.

## **DIRECTORS' INTERESTS IN CONTRACTS**

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

## **MANAGEMENT CONTRACTS**

Except as detailed in note 28 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **AUDITORS**

The financial statement have been audited by Lau & Au Yeung C.P.A. Limited who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Shui Kwok Keung**

*Executive Director*

Hong Kong

21 April 2010

# Corporate Governance Report

The Board is committed to maintaining sound corporate governance standard and formulating and implementing procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhancing value for all of its shareholders.

The Board has reviewed the Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has adopted the same as the Company's own code of corporate governance practices. During the financial year ended 31 December 2009, the Company has complied with all of the provisions under the CG Code.

## THE BOARD

The Board has overall responsibility for the management of the Company and the implementation of the investment policy of the Company, which includes, inter alia, the adoption of long term corporate strategies, assessment of investment projects, supervision of the management of the Company to ensure that the Company's investments are conducted in accordance with the objectives of the Company, and reviewing financial performance. The Company's investment portfolio is managed by Success Talent Investments Limited as Investment Manager of the Company during the year ended 31 December 2009 in accordance with the terms and conditions of an investment management and administration agreement entered into between the Company and the Investment Manager.

During the year under review, Mr. Shiu Kwok Keung was re-designated as an Executive Director of the Company on 22 January 2009, and Mr. Tsang Wai Wa was appointed as an Independent Non-executive Director to fill the causal vacancy on 7 April 2009.

The Board currently has eight Directors of whom five are Executive Directors and three are Independent Non-executive Directors.

The Board held 54 meetings during the year ended 31 December 2009 and the attendance of each Director is set out below:

Name of Director	Number of meetings attended
<i>Executive Directors:</i>	
Dr. Wai Chung Fai ( <i>Chairman</i> )	11
Shiu Kwok Keung (redesignated on 22 January 2009, appointed as Chief Executive Officer on 1 July 2009)	45
Mr. Chu Wai Lim	53
Ms. Fong Son Wa	53
Mr. Lau Shun Chi, Benjamin (resigned on 30 June 2009)	21
<i>Independent Non-executive Directors:</i>	
Mr. Tsang Wai Wa (appointed on 7 April 2009)	8
Mr. Chen Man Lung	13
Mr. Choi Shek Chau	7
Mr. Shiu Kwok Keung (resigned on 22 January 2009)	2

# Corporate Governance Report

## **THE BOARD** – continued

To the best knowledge of the Board, there is no financial, business or family relationship among members of the Board as at 31 December 2009. All of them are free to exercise their individual judgment.

Each of the Independent Non-executive Directors has given the Company an annual confirmation of his/her independence. The Company considers such Directors to be independent under the guidelines set out in rule 3.13 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Subject to the Bye-Laws of the Company, each Independent Non-executive Director has been appointed for a term of one year. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Bye-laws of the Company.

## **THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

CG Code A.2.1 stipulates the role of Chairman and Chief Executive Officer (the “CEO”) should be separate and should not be performed by the same individual.

The position of the Chairman and the CEO are distinct and separate. A clean separation is maintained between the responsibilities of the Chairman and the CEO with the former, Dr. Wai Chung Fai, being mainly responsible for the leadership of the Board while the latter, Mr. Shiu Kwok Keung, is responsible for the overall performance of the Company.

## **THE BOARD COMMITTEES**

### **Audit Committee**

The Company established an Audit Committee on 25 January 2002 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee currently consists three Independent Non-executive Directors: Mr. Tsang Wai Wa, Mr. Chen Man Lung and Mr. Choi Shek Chau. Mr. Tsang Wai Wa was the chairman of the Audit Committee.

On 22 January 2009, Mr. Shiu Kwok Keung was re-designated as an Executive Director and resigned as the Chairman of the Audit Committee; and Mr. Chen Man Lung was re-designated as the Chairman of the Audit Committee. Following the aforesaid re-designation, the Company has two Independent Non-executive Directors and two Audit Committee members. As such, the requirement of the Listing Rules have not been complied with by the Company.

On 7 April 2009, Mr. Tsang Wai Wa was appointed as an Independent Non-executive Director and the Chairman of the Audit Committee to fill the casual vacancy; and Mr. Chen Man Lung was re-designated as a member of the Audit Committee. Following the aforesaid appointment of Mr. Tsang Wai Wa, the requirement of the Listing Rules have been complied with the Company.

# Corporate Governance Report

## THE BOARD COMMITTEES – continued

### Audit Committee – continued

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met 2 times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Audit Committee is also responsible for reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board. The attendance of each member during the year ended 31 December 2009 is set out below:

Name of Director	Number of meetings attended
Dr. Wai Chung Fai	Nil
Mr. Tsang Wai Wa (appointed on 7 April 2009)	2
Mr. Chen Man Lung	2
Mr. Choi Shek Chau	1
Mr. Shiu Kwok Keung (resigned on 22 January 2009)	Nil

### Remuneration Committee

The Board established a Remuneration Committee on 30 August 2005 to review and make recommendations to the Board on matters relating to the remuneration of the Directors and the senior management of the Company. The Remuneration Committee currently consists one Executive Director and three Independent Non-executive Directors: Mr. Chu Wai Lim (Executive Director), Mr. Chen Man Lung (Independent Non-executive Director), Mr. Choi Shek Chau (Independent Non-executive Director) and Mr. Tsang Wai Wa (Independent Non-executive Director). Mr. Chu Wai Lim was the chairman of the Remuneration Committee. During the year under review, Ms. Yin Ling resigned due to her business arrangement and Mr. Choi Shek Chau was appointed to fill the casual vacancy.

Due to the re-designation as an Executive Director, Mr. Shiu Kwok Keung resigned as a member of the Remuneration Committee on 22 January 2009, and Mr. Tsang Wai Wa was appointed to fill the causal vacancy on 7 April 2009.

The Remuneration Committee has adopted terms of reference which are in line with the CG Code. Five meetings were held during the year ended 31 December 2009 to review the remuneration policy and remuneration packages of the Executive Directors. The attendance of each member is set out below:

Name of Director	Number of meetings attended
Mr. Chu Wai Lim	4
Mr. Tsang Wai Wa (appointed on 7 April 2009)	1
Mr. Chen Man Lung	5
Mr. Choi Shek Chau	4
Mr. Shiu Kwok Keung (resigned on 22 January 2009)	1

# Corporate Governance Report

## **NOMINATION PROCEDURES AND CRITERIA**

The Company has yet to appoint a Nomination Committee, the establishment of which is a recommended best practice by the Stock Exchange.

Current Board practice of appointment of new Directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. It is believed that members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

In the year under review, the Board has adopted the aforesaid nomination policy in the nomination and appointment of Directors.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors.

On specific enquires made, all Directors have confirmed that, in respect of the year ended 31 December 2009, they have complied with the required standard as set out in the Model Code.

## **INTERNAL CONTROLS**

The Board has overall responsibility for the system of internal controls and risk management of the Company and the review of its effectiveness. During the year, the Board has reviewed and ensured the internal control process was properly carried out in making investment or divestment decision with the Investment Manager of the Company; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Lau & Au Yeung C.P.A. Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 19 to 20.

# Corporate Governance Report

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS** – continued

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## **AUDITORS' REMUNERATION**

For the year ended 31 December 2009, services provided to the Company by external auditors, Lau & Au Yeung C.P.A. Limited and the fees paid/payable were as follows:

	HK\$
Audit services	281,008
Taxation services	11,000
	<hr/>
	292,008

The Company continues to improve its corporate governance and believes it is fundamental for the development of the Company as well as for the benefits of the shareholders. The Board is pleased to confirm that the Company has complied with the Code applicable during the period.

# Independent Auditor's Report



劉歐陽會計師事務所有限公司

LAU & AU YEUNG C.P.A. LIMITED

## LAU & AU YEUNG C.P.A. LIMITED

21/F., Tai Yau Building  
181 Johnston Road, Wanchai  
Hong Kong

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OPES ASIA DEVELOPMENT LIMITED

*(continued into Bermuda with limited liability)*

We have audited the financial statements of Opes Asia Development Limited (the "Company") set out on pages 21 to 71, which comprise the statement of financial position as at 31 December 2009, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

# Independent Auditor's Report

## **AUDITOR'S RESPONSIBILITY** – continued

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

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

## **OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2009 and of its 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.

## **Lau & Au Yeung C.P.A. Limited**

*Certified Public Accountants*

Hong Kong, 21 April 2010

Au Yeung Tin Wah

Practising Certificate Number P02343

# Income Statement

For the year ended 31 December 2009

	Note	2009 HK\$	2008 HK\$
<b>Turnover</b>	6	<b>6,071,100</b>	6,354,340
Cost of equity securities disposed of		<b>(285,000)</b>	(1,629,200)
Unrealised fair value gains/(losses) on financial assets at fair value through profit or loss		<b>11,497,623</b>	(40,081,422)
<b>Gross profit/(loss)</b>		<b>17,283,723</b>	(35,356,282)
Other income	7	<b>41,765</b>	26,685
Administrative expenses		<b>(11,207,982)</b>	(5,522,222)
Other operating expenses		<b>(4,556,654)</b>	(4,167,372)
Finance costs	10	<b>(24)</b>	–
<b>Profit/(loss) before income tax</b>	8	<b>1,560,828</b>	(45,019,191)
Income tax	11	–	18,600
<b>Profit/(loss) for the year</b>		<b>1,560,828</b>	(45,000,591)
<b>Attributable to:</b>			
Equity holders of the Company	12	<b>1,560,828</b>	(45,000,591)
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year</b>	13		
– basic		<b>HK cents 0.10</b>	HK cents (3.31)
– diluted		<b>HK cents 0.10</b>	HK cents (3.31)

The notes on pages 26 to 71 form an integral part of these financial statements.

# Statement of Comprehensive Income

For the year ended 31 December 2009

	<i>Note</i>	<b>2009</b> <b>HK\$</b>	2008 HK\$
Profit/(loss) for the year		<b>1,560,828</b>	(45,000,591)
<b>Other comprehensive (loss)/income:</b>			
Available-for-sale financial assets:			
Changes in fair value	16	<b>(660,000)</b>	660,000
Other comprehensive (loss)/income for the year, (net of tax)		<b>(660,000)</b>	660,000
<b>Total comprehensive income/(loss) for the year</b>		<b>900,828</b>	(44,340,591)
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		<b>900,828</b>	(44,340,591)

The notes on pages 26 to 71 form an integral part of these financial statements.

# Statement of Financial Position

As at 31 December 2009

	Note	2009 HK\$	2008 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	274,283	–
Financial assets at fair value through profit or loss	18	22,420,000	6,490,000
Available-for-sale financial assets	16	20,927,000	22,200,000
		<b>43,621,283</b>	28,690,000
<b>Current assets</b>			
Financial assets at fair value through profit or loss	18	10,542,224	11,201,602
Deposit for acquisition of an investment	17	–	3,000,000
Other receivables, prepayments and deposits	20	5,748,548	6,039,238
Cash and cash equivalents	21	25,092,571	1,078,712
		<b>41,383,343</b>	21,319,552
<b>Total assets</b>		<b>85,004,626</b>	50,009,552
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	22	1,630,200	1,359,600
Share premium	22	48,838,530	20,476,643
Contributed surplus		61,305,993	61,305,993
Share-based payment reserves		6,133,463	701,240
Available-for-sale fair value reserves		–	660,000
Accumulated losses		(33,344,410)	(34,905,238)
<b>Total equity</b>		<b>84,563,776</b>	49,598,238
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued charges	23	440,850	411,314
<b>Total liabilities</b>		<b>440,850</b>	411,314
<b>Total equity and liabilities</b>		<b>85,004,626</b>	50,009,552
<b>Net current assets</b>		<b>40,942,493</b>	20,908,238
<b>Total assets less current liabilities</b>		<b>84,563,776</b>	49,598,238

Shiu Kwok Keung  
Director

Chu Wai Lim  
Director

The notes on pages 26 to 71 form an integral part of these financial statements.

# Statement of Changes in Equity

For the year ended 31 December 2009

	Note	Attributable to equity holders of the Company						Total HK\$
		Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Share-based payment reserves HK\$	Available- for-sale fair value reserves HK\$	(Accumulated loss)/Retained earnings HK\$	
Balance as at								
1.1.2008		1,359,600	20,476,643	61,305,993	-	-	10,095,353	93,237,589
Total comprehensive income for the year		-	-	-	-	660,000	(45,000,591)	(44,340,591)
Transactions with owners:								
Share options granted during the year	29	-	-	-	701,240	-	-	701,240
Balance as at								
31.12.2008		1,359,600	20,476,643	61,305,993	701,240	660,000	(34,905,238)	49,598,238
<b>Balance as at</b>								
<b>1.1.2009</b>		<b>1,359,600</b>	<b>20,476,643</b>	<b>61,305,993</b>	<b>701,240</b>	<b>660,000</b>	<b>(34,905,238)</b>	<b>49,598,238</b>
Total comprehensive income for the year		-	-	-	-	(660,000)	1,560,828	900,828
Transactions with owners:								
Share options granted during the year	29	-	-	-	5,932,451	-	-	5,932,451
Proceeds from placing of new shares	22	249,000	24,150,759	-	-	-	-	24,399,759
Exercise of share options	22	21,600	4,211,128	-	(500,228)	-	-	3,732,500
Balance as at								
31.12.2009		1,630,200	48,838,530	61,305,993	6,133,463	-	(33,344,410)	84,563,776

The notes on pages 26 to 71 form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December 2009

	<i>Note</i>	2009 HK\$	2008 HK\$
<b>Cash flows from operating activities</b>			
Cash used in operations	25	(3,746,375)	(9,585,632)
Interest paid		(24)	–
Income tax refunded		–	18,600
<b>Net cash used in operating activities</b>		<b>(3,746,399)</b>	<b>(9,567,032)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(374,958)	–
Dividends received		900	–
Interest received		2,057	26,685
<b>Net cash (used in)/generated from investing activities</b>		<b>(372,001)</b>	<b>26,685</b>
<b>Cash flows from financing activities</b>			
Proceeds from placing of new shares	22	24,399,759	–
Proceeds from exercise of share options	22	3,732,500	–
<b>Net cash generated from financing activities</b>		<b>28,132,259</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>24,013,859</b>	<b>(9,540,347)</b>
Cash and cash equivalents at beginning of the year		1,078,712	10,619,059
<b>Cash and cash equivalents at end of the year</b>	21	<b>25,092,571</b>	<b>1,078,712</b>

The notes on pages 26 to 71 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1. GENERAL INFORMATION

Opes Asia Development Limited (the "Company") is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Australia and the Cayman Islands while it has substantial operations in Hong Kong, in order to achieve medium to long term capital appreciation.

The Company is a limited liability company continued into Bermuda as an exempted company under the laws of Bermuda. The address of the Company's registered office is Canon's court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is Unit 3604B, 36th Floor, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements were approved for issue by the Board of Directors ("the Board") on 21 April 2010.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value (if any).

These financial statements have been prepared under the accrual basis of accounting and on the basis that the Company is a going concern notwithstanding that the Company has accumulated losses of HK\$33,344,410. The Company recorded a profit for the year of HK\$1,560,828, representing a significant turnaround situation of the Company. In addition, the Company maintains shareholders' funds of HK\$84,563,776. The Board believes that the Company can continue its operations.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (a) Basis of preparation – continued

- (i) The Company has adopted the new and revised standards, interpretations and amendments to HKFRSs (collectively referred as “new and revised HKFRSs”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. The impact of the application of the new and revised HKFRSs is discussed below.

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009

The principal effects of adopting these new and revised HKFRSs are as follows:

#### HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has elected to present two statements.

#### Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Company has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (a) Basis of preparation – continued

#### (i) continued

*Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy.

The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 3(b) to the financial statements.

*HKFRS 8 Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Company's financial statements into segments based on its investments. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Company's internal reporting provided to the Company's most senior executive management, and has resulted in additional reportable segments being identified and presented. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

*Improvements to HKFRSs (2008)*

In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Company adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Company.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (a) Basis of preparation – continued

- (ii) The new and revised HKFRSs that are effective for annual periods beginning on or after 1 January 2009 but not relevant to its operations.

HKAS 18 (Amendment)	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and Amendments HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> (effective for annual periods ending on or after 30 June 2009)
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> (effective for annual periods beginning on or after 1 July 2008)
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> (effective for annual periods beginning on or after 1 October 2008)
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (effective for transfer 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 Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (a) Basis of preparation – continued

- (iii) The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>7</sup> Effective for annual periods beginning on or after 1 July 2010.

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 Company's financial assets.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (a) Basis of preparation – continued

#### (iii) – continued

The above standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2009 or later periods. The Company has started considering their potential impact. Based on the preliminary assessment, save as disclosed above, the Company believes that the adoption of these standards, amendments and interpretations to existing standards, if applicable, will not result in substantial changes to the Company's accounting policies. The Company has not early adopted these standards, amendments and interpretations to existing standards, if applicable, in the financial statements for the year ended 31 December 2009.

### (b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (i) *Sales of equity securities*

The Company invested in equity securities. Sales of listed and unlisted securities is recognised when instructions for sales given to securities brokers are properly executed thereafter.

#### (ii) *Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

#### (iv) *Investment income*

Investment income is recognised on an accrued basis in accordance with the substance of the relevant agreements.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (c) Employee benefits

#### (i) *Employee leave entitlement*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Pension obligations*

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ relevant income and are expensed in the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### (iii) *Share-based payment transactions*

The Company operates an equity-settled, share-based payment transactions, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### (d) Current and deferred income tax

The income tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (d) Current and deferred income tax – continued

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (e) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale fair value reserves in equity.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred.

Depreciation is recognized so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method, as follows:

– Leasehold improvements	Over the lease term
– Office furniture and fixtures	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income/expenses" in the income statement.

### (g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (h) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets designated by the entity upon initial recognition.

Financial assets at fair value through profit or loss under current portion are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss under non-current portion are also held for investment purposes by the Company. The Company is an investment company applied to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Due to the specific nature of the Company's business, all financial assets it invested with quoted market price are classified as financial assets at fair value through profit or loss even some of them are not held for short-term trading, in order to avoid accounting mismatch. For financial assets held for investment purpose but not to be sold in the following twelve months, they are classified as non-current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "deposit for acquisition of an investment", "other receivables, prepayments and deposits" and "cash and cash equivalents" in the statement of financial position (Note 2(k) and 2(l)).

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting period.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (h) Financial assets – continued

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost, less provision for impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement as “unrealised fair value gains/(losses) on financial assets at fair value through profit or loss” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of “other income” when the Company’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of “other income”. Dividends on available-for-sale equity instruments are recognised in the income statement as part of “other income” when the Company’s right to receive payments is established.

### (i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (j) Impairment of financial assets

#### (a) *Assets carried at amortised cost*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (j) Impairment of financial assets – continued

#### (a) *Assets carried at amortised cost* – continued

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### (b) *Assets classified as available for sale*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement.

### (k) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### (l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### (m) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (n) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (o) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

### (p) Provision

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (q) Related parties

A party is related to the Company if:

- (i) directly or indirectly through one or more intermediaries, the party:
  - (a) controls, is controlled by, or is under common control with, the Company;
  - (b) has an interest in the Company that gives it significant influence over the Company;  
or
  - (c) has joint control over the Company;
- (ii) the party is an associate of the Company;
- (iii) the party is a joint venture in which the Company is a venturer;

# Notes to the Financial Statements

For the year ended 31 December 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### (q) Related parties – continued

- (iv) the party is a member of the key management personnel of the Company;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
- (vii) any investment manager, investment adviser or custodian (or any connected person thereof) under the Listing Rules Chapter 21.13.

## 3. FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Company's financial assets and liabilities mainly consisted of financial assets at fair value through profit or loss, available-for-sale financial assets, bank balances and cash, other receivables and deposits and other payables and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated mitigated these risks are set out below.

The Company does not have written risk management policies and guidelines. However, the Board meets periodically to analyse and formulate measures to manage the Company's exposure to market risk, including principally changes in currency exchange rates, equity price risk, interest rate risk, credit risk and liquidity risk to ensure appropriate measures are implemented on a timely and effective manner. Generally, the Company employs a conservative strategy regarding its risk management. As the Company's exposure to market risk is kept at a minimum level, the Company does not use any derivatives or other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes.

#### (i) Foreign currency risk

The Company has certain investments in Australian Securities Exchange, whose net assets are exposed to foreign currency translation risk with respect to Australian dollars. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2009, approximately 2% (2008: 21%) of the Company's investment is denominated in Australian dollars. The carrying amount of the Company's foreign currency denominated investments held for trading at the end of the reporting period is AUD178,665 (2008: AUD1,548,430).

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3. FINANCIAL RISK MANAGEMENT – continued

### (a) Financial risk factors – continued

#### (i) Foreign currency risk – continued

The following table demonstrates the Company's sensitivity analyses at the end of the reporting period to a reasonably possible change in the Australian dollars rate, with all other variables held constant, of the Company's profit/(loss) before income tax.

	Increase/ (decrease) in Australian dollars rate %	Increase/ (decrease) in profit before income tax
<b>2009</b>		
If HK\$ weakens against Australian dollars	5	62,175
If HK\$ strengthens against Australian dollars	(5)	(62,175)
	Increase/ (decrease) in Australian dollars rate %	Increase/ (decrease) in loss before income tax
<b>2008</b>		
If HK\$ weakens against Australian dollars	5	(415,421)
If HK\$ strengthens against Australian dollars	(5)	415,421

The Company has certain investments in foreign operations, being approximately 26% (2008: 58%) of total assets are exposed to foreign currency translation risk. However, the currency exposure arising from the net assets of the Company's foreign operations is limited as the investments are mainly denominated in Hong Kong dollars.

#### (ii) Equity Price risk

The Company is exposed to equity price risk through its financial assets at fair value through profit or loss. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

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

If the prices of the respective equity instruments had been increased/decreased by 5%,

- the Company's profit for the year ended 31 December 2009 would have increased/decreased by HK\$1,648,111 (2008: loss would have decreased/increased by HK\$884,580) as a result of the changes in fair value on financial assets at fair value through profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3. FINANCIAL RISK MANAGEMENT – continued

### (a) Financial risk factors – continued

#### (iii) Cash flow and fair value interest rate risk

As the Company has no significant interest bearing assets and liabilities other than bank deposits which are carried at variable rate, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

If interest rates had been increased/ decreased by 100 basis points and all other variables were held constant, the Company's profit for the year ended 31 December 2009 would be HK\$250,058 higher/lower (2008: loss would be HK\$10,912 lower/higher).

#### (iv) Credit risk

The Company's credit risk are primarily attributable to its financial assets at fair value through profit or loss, available-for-sale, other receivables and bank balances.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company in the event of the counterparties' failure to perform their obligations as at 31 December 2009 in relation to the financial assets is the carrying amount of those assets as stated in the statement of financial position.

The Company has significant concentration of credit risk on other receivables as the other receivables are mainly attributable from certain limited counterparties.

In order to minimise credit risk, management has delegated a team to be responsible for the monitoring procedures. In addition, management reviews the recoverable amount of the other receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

As at 31 December 2009, the Directors reassessed the recoverability of the deposit for acquisition of an investment in 廣州星越航空服務有限公司, and considered that a provision for impairment loss of HK\$3,000,000 should be made (Note 17).

For the other investments, financial assets at fair value through profit or loss, available-for-sale, the Management had closely monitored their status and they believe that the Company's credit risk is significantly reduced.

The Company's bank balances are mainly deposited with banks in Hong Kong and part of them deposited with a securities dealer in Hong Kong rating of 'A' are accepted.

The Company has limited credit risk with its banks and financial institution which are leading, reputable and assessed as having low credit risk. The Company has not had any significant loss arising from non-performance by those parties in the past and management does not expect so in the future.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3. FINANCIAL RISK MANAGEMENT – continued

### (a) Financial risk factors – continued

#### (iv) Credit risk – continued

The table below shows the balances of the two major counterparties at the end of the reporting period.

		2009 HK\$	2008 HK\$
Counterparty	Rating		
Standard Chartered Bank (HK) Ltd	A+/Negative/A-1	25,070,485	1,056,492
Bank of East Asia (HK) Ltd	A-/Negative/A-2	20,447	21,012
		<b>25,090,932</b>	1,077,504

The carrying amount of these balances substantially represents the Company's maximum exposure to credit risk as at 31 December 2009 and 2008.

#### (v) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Company's funding and liquidity management requirements. The Company has no significant liquidity risk. The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. All the financial assets and financial liabilities are non-derivative financial assets and liabilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount HK\$	Less than 1 year HK\$
<b>At 31 December 2009</b>		
Other payables and accrued expenses	440,850	440,850
<b>At 31 December 2008</b>		
Other payables and accrued expenses	411,314	411,314

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3. FINANCIAL RISK MANAGEMENT – continued

### (b) Fair value estimation

Effective from 1 January 2009, the Company adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

As at 31 December 2009, the Company held the following assets and liabilities measured at fair value.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Assets</b>				
Financial assets at fair value				
through profit or loss	32,962,224	–	–	32,962,224
Available-for-sale financial assets	–	–	8,927,000	8,927,000
	32,962,224	–	8,927,000	41,889,224
<b>Liabilities</b>				
	–	–	–	–

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 3. FINANCIAL RISK MANAGEMENT – continued

### (b) Fair value estimation – continued

Specific valuation techniques used to value financial instruments include:

- Quoted market price or dealer quotes for similar instruments.
- Other technique, such as discounted cash flow analysis based on assumption supported, where possible, by observable market prices or rates.

There were no transfers between Levels 1, 2 and 3 in the current year.

### Reconciliation of Level 3 fair value measurements of financial assets – Available-for-sale financial assets at fair value

	Year ended 31/12/2009
Opening balance	10,200,000
Fair value gain transfer from equity	(660,000)
Loss recognised in profit or loss	(613,000)
Closing balance	8,927,000

### (c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total equity. Debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position). Total capital is calculated as "equity", as shown in the statement of financial position. The gearing ratios as at 31 December 2009 and 2008 were as follows:

	2009 HK\$	2008 HK\$
Total borrowings	–	–
Total equity	84,563,776	49,598,238
Gearing ratio	Nil	Nil

# Notes to the Financial Statements

For the year ended 31 December 2009

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### (a) Critical accounting estimates and assumptions

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

#### (i) *Income taxes*

The Company is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and defined income tax assets and liabilities in the period in which such determination is made.

#### (ii) *Useful lives of property, plant and equipment*

The Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of store renovation and relocation. Management will increase the depreciation charges where useful lives are less than previously estimated lives.

#### (iii) *Impairment of other non-financial assets*

The Company tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management's assumptions and estimates.

#### (iv) *Fair value of available-for-sale financial assets*

As described in note 16 to the financial statements, the independent qualified professional valuers use their judgement selecting appropriate valuation technique for financial instruments not quoted in active markets. Valuation techniques commonly used by market practitioners are applied. The Company's unlisted equity instruments with carrying amount of HK\$8,927,000 (2008: HK\$10,200,000) which were valued by independent qualified professional valuers, are valued using discounted cash flow analyses based on assumptions supported, where possible, by observable market prices or rates.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – continued

### (a) Critical accounting estimates and assumptions – continued

#### (v) *Fair value of share options*

The fair value of share options granted is measured using Black-Scholes Merton Option Pricing Model. It is based on various assumptions on volatility, option life, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at the date of grant.

### (b) Critical judgements in applying the Company's accounting policies

#### *Impairment of available-for sale financial assets*

The Company follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

## 5. SEGMENT INFORMATION

The Company determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Company has four reportable segments. The segments are managed separately as each business engaged in investment in listed and unlisted companies in Hong Kong, the PRC and Australia. The following summary describes the operations in each of the Company's reportable segments.

The business of investment in listed companies mainly refers to the investments in the Stock Exchange and the Australian Securities Exchange Limited. The major sources of net income of the business are gains on disposals of investments and dividend income, if any.

The business of investment in unlisted companies mainly refers to the investments in the unlisted companies in Hong Kong and the PRC. The major sources of income of the business are dividend income from investments or guaranteed return provided by counter parties of certain unlisted investments.

Segment results represent the gross profit/(loss) for the period in each operating segment. This is the measure reported to the Company's chief operating decision maker for the purpose of resources allocation and assessment of segment performance. Segment results exclude other income such as interest income and unallocated corporate expenses such as administrative and other operating expenses.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 5. SEGMENT INFORMATION – continued

Information regarding the Company's reportable segments as provided to the Company's chief operating decision maker for the purposes of allocation and assessment of segment performance for the year is set out below.

	Listed Investments		Unlisted Investments		Total HK\$
	Hong Kong HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	
<b>For the year ended 31 December 2009</b>					
<b>TURNOVER</b>	791,100	-	-	5,280,000	6,071,100
<b>Segment results</b>	<b>19,069,525</b>	<b>(7,064,902)</b>	-	<b>5,280,000</b>	<b>17,284,623</b>
Impairment	-	-	(613,000)	-	(613,000)
Interest income					39,865
Interest expenses					(24)
Depreciation					(100,675)
Unallocated income					1,000
Unallocated expenses					(15,050,961)
<b>Profit for the year</b>					<b>1,560,828</b>
<b>Segment assets</b>	<b>31,718,716</b>	<b>1,243,508</b>	<b>107,000</b>	<b>26,100,000</b>	<b>59,169,224</b>
Unallocated assets*					25,835,402
Total assets					85,004,626
<b>Segment liabilities</b>	-	-	-	-	-
Unallocated liabilities					(440,850)
Total liabilities					(440,850)
Capital expenditures	-	-	-	-	-
Unallocated capital expenditures					374,958
Total capital expenditures					374,958

\* Unallocated assets mainly included cash and cash equivalents of HK\$25,092,571 and property, plant and equipment of HK\$274,283.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 5. SEGMENT INFORMATION – continued

	Listed investments		Unlisted investments		Total HK\$
	Hong Kong HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	
<b>For the year ended</b>					
<b>31 December 2008 (Restated)</b>					
<b>TURNOVER</b>	1,074,340	–	–	5,280,000	6,354,340
<b>Segment results</b>	(35,040,721)	(5,595,561)	–	5,280,000	(35,356,282)
Impairment	–	–	–	(3,180,000)	(3,180,000)
Interest income					26,685
Interest expenses					–
Depreciation					–
Unallocated income					–
Unallocated expenses					(6,509,594)
<b>Loss for the year</b>					<b>(45,019,191)</b>
<b>Segment assets</b>	9,383,191	8,308,411	1,380,000	26,100,000	45,171,602
Unallocated assets					4,837,950
Total assets					50,009,552
<b>Segment liabilities</b>	–	–	–	–	–
Unallocated liabilities					411,314
Total liabilities					411,314

The Company did not incur any capital expenditures in the business for the year ended 31 December 2008. And there is no depreciation or amortisation required for disclosure purpose.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 6. TURNOVER

The Company is engaged in investment in equity securities. Revenues recognised during the year are as follows:

	2009 HK\$	2008 HK\$
Sales of equity securities	791,100	1,074,340
Investment income	5,280,000	5,280,000
	<b>6,071,100</b>	6,354,340

## 7. OTHER INCOME

	2009 HK\$	2008 HK\$
Dividend income	900	–
Interest income	39,865	26,685
Sundry income	1,000	–
	<b>41,765</b>	26,685

## 8. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at:

	2009 HK\$	2008 HK\$
After crediting the following item:		
Net realised and unrealised gains on financial assets at fair value through profit or loss	<b>12,003,723</b>	–
And after charging the following items:		
Net realised and unrealised losses on financial assets at fair value through profit or loss	–	40,636,282
Auditors' remuneration	281,008	275,862
Depreciation	100,675	–
Operating lease payments	951,962	786,267
Impairment loss on available-for-sale financial assets	613,000	3,180,000
Impairment loss on a deposit	3,000,000	–
Impairment loss on other receivables	37,808	–
Employee benefit expenses	4,498,405	3,201,645

# Notes to the Financial Statements

For the year ended 31 December 2009

## 9. EMPLOYEE BENEFIT EXPENSES

	2009 HK\$	2008 HK\$
Directors' remuneration		
– fee	334,774	293,226
– salaries	2,104,826	2,006,600
– share-based payments	1,396,275	191,247
– mandatory provident fund contributions	41,500	36,000
	<b>3,877,375</b>	2,527,073
Wages and salaries	558,364	641,740
Share-based payments	43,633	11,332
Mandatory provident fund contributions	19,033	21,500
	<b>621,030</b>	674,572
	<b>4,498,405</b>	3,201,645

### Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees HK\$	Salaries, and allowances HK\$	Discretionary bonuses HK\$	Employer's mandatory provident fund contributions HK\$	Employee share-based payments HK\$	Total HK\$
<i>Executive Directors</i>						
Wai Chung Fai	–	600,000	–	12,000	130,900	742,900
Shiu Kwok Keung (a)	–	553,226	–	11,500	872,675	1,437,401
Chu Wai Lim	–	291,600	–	12,000	130,900	434,500
Fong Son Wa	–	300,000	–	–	130,900	430,900
Lau Shun Chi, Benjamin (b)	–	360,000	–	6,000	87,267	453,267
<i>Independent Non-executive Directors</i>						
Shiu Kwok Keung (a)	6,774	–	–	–	–	6,774
Tsang Wai Wa (c)	88,000	–	–	–	–	88,000
Chen Man Lung	120,000	–	–	–	–	120,000
Choi Shek Chau	120,000	–	–	–	43,633	163,633
	<b>334,774</b>	<b>2,104,826</b>	<b>–</b>	<b>41,500</b>	<b>1,396,275</b>	<b>3,877,375</b>

Note:

- (a) Redesignated on 22 January 2009.
- (b) Resigned on 30 June 2009.
- (c) Appointed on 7 April 2009.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 9. EMPLOYEE BENEFIT EXPENSES – continued

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees HK\$	Salaries, and allowances HK\$	Discretionary bonuses HK\$	Employer's mandatory provident fund contributions HK\$	Employee share-based payments HK\$	Total HK\$
<i>Executive directors</i>						
Wai Chung Fai	–	600,000	40,000	13,000	49,583	702,583
Lau Shun Chi, Benjamin	–	720,000	50,000	12,000	56,666	838,666
Chu Wai Lim	–	267,300	14,300	11,000	42,499	335,099
Fong Son Wa	–	300,000	15,000	–	42,499	357,499
<i>Independent Non-executive Directors</i>						
Shiu Kwok Keung	120,000	–	–	–	–	120,000
Chen Man Lung	120,000	–	–	–	–	120,000
Choi Shek Chau (d)	53,226	–	–	–	–	53,226
Yin Ling (e)	–	–	–	–	–	–
	293,226	1,887,300	119,300	36,000	191,247	2,527,073

Notes:

(d) Appointed on 22 July 2008.

(e) Resigned on 23 April 2008.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2008: Nil).

During the year, no emoluments were paid by the Company to the Directors as an inducement to join, or upon joining the Company, or as compensation for loss of office (2008: Nil).

# Notes to the Financial Statements

For the year ended 31 December 2009

## 9. EMPLOYEE BENEFIT EXPENSES – continued

### Directors' and senior management's emoluments – continued

#### Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include four (2008: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2008: one) individual during the year are as follows:

	2009 HK\$	2008 HK\$
Wages and salaries	420,000	405,740
Bonus	–	35,000
Share-based payments	43,633	7,082
Mandatory provident fund contributions	12,000	12,000
	<b>475,633</b>	459,822

The emoluments of the above one (2008: one) highest paid employee during the year were within the emoluments band ranging from nil to HK\$1,000,000.

## 10. FINANCE COSTS

	2009 HK\$	2008 HK\$
Interest on bank overdrafts	24	–

## 11. INCOME TAX

No Hong Kong profits tax is provided as there is no estimated assessable profit for the year (2008: Nil). For the income tax recorded in 2008, it solely represented an over-provision of income tax for prior years.

	2009 HK\$	2008 HK\$
Hong Kong profits tax		
Over-provision in respect of prior years	–	18,600

# Notes to the Financial Statements

For the year ended 31 December 2009

## 11. INCOME TAX – continued

The taxation on the profit/(loss) before tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2009 HK\$	2008 HK\$
Profit/(Loss) before tax	1,560,828	(45,019,191)
Tax calculated at a tax rate of 16.5% (2008: 16.5%)	257,537	(7,428,166)
Over-provision in respect of prior years	–	(18,600)
Tax effects of:		
Income not subject to tax	(3,506,376)	(875,603)
Expenses not deductible for tax purposes	2,552,507	4,667,792
Tax losses for which no deferred income tax asset was recognised	711,187	3,635,977
Unrecognised deferred tax arising from temporary difference	(14,855)	–
Tax credit	–	(18,600)

There were no tax charge or credit relating to components of other comprehensive income for the year ended 31 December 2009 and 2008.

## 12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$1,560,828 (2008: Loss of HK\$45,000,591).

## 13. EARNINGS/(LOSS) PER SHARE

### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009 HK\$	2008 HK\$
Profit/(loss) attributable to equity holders of the Company	1,560,828	(45,000,591)
Weighted average number of ordinary shares in issue	1,566,619,726	1,359,600,000
Basic earnings/(loss) per share	HK cents 0.10	HK cents (3.31)

# Notes to the Financial Statements

For the year ended 31 December 2009

## 13. (LOSS)/EARNINGS PER SHARE – continued

### (b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009 HK\$	2008 HK\$
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the Company	1,560,828	(45,000,591)
Weighted average number of ordinary shares in issue	1,566,619,726	1,359,600,000
Adjustment for:		
– Share options	29,305,256	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share	1,595,924,982	1,359,600,000
Diluted earnings/(loss) per share	HK cents 0.10	HK cents (3.31)

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Office furniture and fixtures HK\$	Total HK\$
Cost			
Additions and as at 31.12.2009	282,510	92,448	374,958
Accumulated depreciation			
Depreciation for the year and as at 31.12.2009	89,890	10,785	100,675
Net book value			
As at 31.12.2009	192,620	81,663	274,283

# Notes to the Financial Statements

For the year ended 31 December 2009

## 15. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK\$	Assets at fair value through the profit or loss HK\$	Available- for-sale HK\$	Total HK\$
<b>Assets as per statement of financial position</b>				
<b>31. 12. 2009</b>				
Available-for-sale financial assets (Note 16)	–	–	20,927,000	20,927,000
Financial assets at fair value through profit or loss (Note 18)	–	32,962,224	–	32,962,224
Other receivables, prepayments and deposits (Note 20)	5,748,548	–	–	5,748,548
Cash and cash equivalents (Note 21)	25,092,571	–	–	25,092,571
<b>Total</b>	<b>30,841,119</b>	<b>32,962,224</b>	<b>20,927,000</b>	<b>84,730,343</b>
<b>31. 12. 2008</b>				
Available-for-sale financial assets	–	–	22,200,000	22,200,000
Financial assets at fair value through profit or loss	–	17,691,602	–	17,691,602
Deposit for acquisition of an investment	3,000,000	–	–	3,000,000
Other receivables, prepayments and deposits	6,039,238	–	–	6,039,238
Cash and cash equivalents	1,078,712	–	–	1,078,712
<b>Total</b>	<b>10,117,950</b>	<b>17,691,602</b>	<b>22,200,000</b>	<b>50,009,552</b>

Except for the deposit for acquisition of an investment of HK\$3,000,000 and interest thereon included in other receivable of HK\$37,808, none of the above other receivables, prepayments and deposits is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. For the aforesaid deposit and interest receivable, details are stated in notes 17 and 20 to the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 15. FINANCIAL INSTRUMENTS BY CATEGORY – continued

	Liabilities at fair value through the profit or loss HK\$	Derivatives used for hedging HK\$	Other financial liabilities HK\$	Total HK\$
<b>Liabilities as per statement of financial position</b>				
<b>31. 12. 2009</b>				
Other payables and accrued charges (Note 23)	–	–	440,850	440,850
<b>31. 12. 2008</b>				
Other payables and accrued charges (Note 23)	–	–	411,314	411,314

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 HK\$	2008 HK\$
Non-current portion		
At the beginning of the year	22,200,000	12,720,000
Addition	–	12,000,000
Impairment	(613,000)	(3,180,000)
Fair value gain transfer (from)/to equity	(660,000)	660,000
At the end of the year	20,927,000	22,200,000

There were no disposals on available-for-sale financial assets in 2009 or 2008.

Available-for-sale financial assets including the following:

	2009 HK\$	2008 HK\$
Unlisted securities		
– Unlisted securities – the Cayman Islands (note a)	107,000	1,380,000
– Unlisted securities – the PRC (note b)	8,820,000	8,820,000
– Unlisted securities – Hong Kong (note c)	12,000,000	12,000,000
	20,927,000	22,200,000

# Notes to the Financial Statements

For the year ended 31 December 2009

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

All the available-for-sale financial assets are denominated in Hong Kong dollars.

The fair values of the investments in Dyxnet Holdings Limited (“Dyxnet”) (*note a*) and 北京華寶時代國際設備有限公司 (“北京華寶”) (*note b*) as at 31 December 2009 were arrived at on the basis of business valuations carried out on that date by Roma Appraisals Limited (2008: BMI Appraisals Limited), independent qualified professional valuers not connected with the Company. The valuations were arrived at by reference to the income approach (2008: income approach).

The investment in Becky Agric Resources Co., Limited (“BARL”) (*note c*) is stated at cost less any impairment.

*Notes:*

- (a) As at 31 December 2009, the Company held 5,735 (2008: 5,735) issued ordinary shares in Dyxnet, representing approximately 0.23% (2008: 3.72%) of the total issued ordinary shares of Dyxnet. The significant dilution of the equity percentage of the Company was attributable to the issue of 2,334,567 shares (2008: Nil) to the directors and employees of Dyxnet under a share option scheme. As a result of the dilution, the fair value gain of HK\$660,000 was reversed from available-for-sale fair value reserves and an impairment loss of HK\$613,000 was recognized in the income statement for the year. As at 31 December 2009, there were dilutive instruments of 32,324,967 series A-1 convertible preference shares and 179,582 share options outstanding in the books of Dyxnet which may lead to further dilution of the Company’s equity interests in Dyxnet.
- (b) During the year, 北京華寶 commenced car leasing business and entered into several contracts with banks in Mainland China in late 2009.
- (c) On 31 December 2007, the Company entered into a co-operation agreement with Becky Agric Bio Energy Co., Limited (“BAB Energy”), an independent third party which wished to form a wholly foreign owned enterprise (the “WFOE”), which will be engaged in the production of organic agricultural products, promotion of organic farming and operating an organic theme park in the PRC. As at 31 December 2007, the Company paid a deposit of HK\$12 million for the investment to BAB Energy. Pursuant to the co-operation agreement, BAB Energy has provided a guarantee to the Company for an annual return of not less than HK\$2,640,000 for each of the 5 years ended/ ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively (*note 19(c)*).

In January 2008, BAB Energy started its organic farming project and signed a sub-contracting contract with Guangdong Conghua City Lu Town Investment Service Centre (“GCCL”) for the usage of land. In October 2008, BAB Energy informed the Company that the organic farming project in Conghua City was terminated because GCCL could not fulfill the contract terms. In December 2008, BAB Energy informed the Company that the organic farming project would be restarted in Guangdong Luoding City. Pursuant to a supplemental agreement, the Company still enjoys 30% of return of this organic farming operation in the future and BAB Energy continues to provide profit guarantee to the Company according to the original co-operation agreement.

For the new organic farming project in Luoding City, an investee company, BARL was incorporated in Hong Kong in June 2008. BARL allotted 3,000 ordinary shares, representing 30% equity interests of BARL at a consideration of HK\$12,000,000 to the Company and 70% equity was allotted to BAB Energy on incorporation.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

Notes: – continued

(c) – continued

During the year ended 31 December 2009, BARL commenced its organic farming business by investing in an organic farm in Guangdong Luoding City and generated an unaudited profit for the year. In addition, the owner and director of BAB Energy provided an additional personal guarantee to the Company to secure the annual investment return of HK\$2,640,000 for the 3 years ending 31 December 2010, 2011 and 2012 pursuant to the original co-operation agreement signed with BAB Energy.

After due consideration of relevant documents and review of the financial position of BARL, the Board confirms that BARL has sufficient net assets value and will be generating positive returns to the Company, no impairment provision for the investment is considered necessary as at 31 December 2009.

The Company has not reclassified any financial assets measured at amortized cost rather than fair value during the year.

	2009 HK\$	2008 HK\$
Fair values of available-for-sale financial assets are as follows:		
Unlisted securities		
– The Cayman Islands	107,000	1,380,000
– The PRC	8,820,000	8,820,000
	<b>8,927,000</b>	10,200,000

Except for the investment in Dyxnet, none of these financial assets are either past due or impaired.

At 31 December 2009 and 2008, the carrying amounts of interests in each of the following companies exceed 10% of total assets of the Company.

Name	Place of incorporation	Principal activities	Particulars of issued shares registered capital	Interest held
北京華寶時代國際設備租賃有限公司 (“北京華寶”)	PRC	Leasing of equipment, machinery and facilities	US\$2,600,000	30%
Becky Agric Resources Co., Limited (“BARL”)	Hong Kong	Organic farming and agriculture business	10,000 ordinary shares of HK\$1 each	30%

# Notes to the Financial Statements

For the year ended 31 December 2009

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS – continued

The Company does not have significant influence on 北京華寶 or BARL because:

- the Company did not have any representative on the board of directors or equivalent governing body of 北京華寶 or BARL;
- the Company did not participate in policy-making processes, including participation in decisions about dividends or other distributions;
- the Company did not have any transactions with 北京華寶 or BARL;
- the Company did not interchange any managerial personnel with 北京華寶 or BARL;
- the Company did not provide any technical information to 北京華寶 or BARL.

As the Company did not act to fulfill any one of the issues stated above, it does not consider as having significant influence on the investments. Hence, 北京華寶 or BARL are not considered as the Company's associated companies.

## 17. DEPOSIT FOR ACQUISITION OF AN INVESTMENT

	2009 HK\$	2008 HK\$
Deposit for acquisition of an investment in		
– 廣州星越	3,000,000	3,000,000
Less: Provision for impairment loss on a deposit	(3,000,000)	–
	–	3,000,000

Movements on the provision for impairment of deposit for acquisition of an investment are as follows:

	2009 HK\$	2008 HK\$
Provision for impairment and at the end of the reporting period	3,000,000	–

# Notes to the Financial Statements

For the year ended 31 December 2009

## 17. DEPOSIT FOR ACQUISITION OF AN INVESTMENT – continued

As at 31 December 2007, the Company paid a deposit of HK\$3 million to an independent third party (the “vendor”) for the purchase of 20% equity interests in an unlisted company, 廣州星越航空服務有限公司 (“廣州星越”) (the “Acquisition”). 廣州星越 was incorporated in the PRC as a limited liability company with registered capital of RMB3,800,000. The principal activity of 廣州星越 is the provision of consultancy services on navigation. Other than the aforesaid HK\$3 million, the Company does not have to inject any further funds into this project until he complete certain preliminary works explained below.

To complete the Acquisition, the vendor was required to complete preliminary works including changing 廣州星越 from a domestic private enterprise to a Sino-foreign equity joint venture company (“SFEJV”) and facilitating the SFEJV to obtain a formal business licence which allows the SFEJV to (i) act as an air freight forwarding agent and (ii) provide air freight forwarding enterprise management consultancy service on or before 20 September 2008. On 1 September 2009, the Board extended the period of preparing preliminary works to 20 September 2009 to the vendor after reconsidering the investment potential of the Acquisition.

Since the vendor failed to complete the aforesaid preliminary works by the prescribed time. Therefore, the Company decided to terminate the Acquisition and requested for the refund of the deposit together with an interest calculated at HSBC’s best lending rate. The management kept on following up the status with the vendor and requested the vendor to confirm the balance due as at 31 December 2009 to the Company after the end of the reporting period. However, the Company received no reply from the vendor and has lost contact with the vendor since then. In March 2010, the Company decided to take legal actions against the vendor for his default in repayment, but the Company still could not reach the vendor. The Board considered that the deposit was unlikely to be recovered and therefore full impairment provision of HK\$3,000,000 was made for the year ended 31 December 2009.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK\$	2008 HK\$
Listed securities		
Equity securities – Hong Kong	<b>31,718,716</b>	9,383,191
Equity securities – Australia	<b>1,243,508</b>	8,308,411
Market value of listed securities	<b>32,962,224</b>	17,691,602
Less: non-current portion	<b>(22,420,000)</b>	(6,490,000)
Current portion	<b>10,542,224</b>	11,201,602

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the statement of cash flows (Note 25).

Changes in fair values of financial assets at fair value through profit or loss are recorded in “unrealised fair value gains/(losses) on financial assets at fair value through profit or loss” in the income statement.

The fair value of all equity securities is based on their current bid prices in active markets.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 19. INVESTMENTS

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Company discloses its list of all investments with a value greater than 5 per cent of the Company's gross assets and at least the 9 largest investments\* as at 31 December 2009 and 2008 respectively as follows:

### As at 31 December 2009

Name	Nature of business	% of total issued capital	Invested amount HK\$	Carrying amount HK\$ (Note a)	% of gross asset value	Dividend received HK\$
Culturecom Holdings Limited	Publishing	0.90	6,769,263	2,741,992	3.23%	-
Mobile Telecom Network (Holdings) Limited	Provision of mobile internet communication and telecommunications	1.93	2,649,277	1,214,024	1.43%	-
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaics business	0.46	12,414,389	4,907,700	5.77%	-
REXLot Holdings Limited	Provision of financial services	0.01	22,296	435,000	0.51%	900
ViaGOLD Capital Limited	Investment holding, property development and leasing and capital financing	9.41	11,727,980	1,243,508	1.46%	-
China Bio Cassava Holdings Limited (Note d)	Development and sales of computer software	3.60	11,416,390	22,420,000	26.38%	-
Dyxnet (Note 16)	Provision of internet services	0.23	4,000,000	107,000	0.13%	-
北京華寶 (Note 16)	Leasing of equipment, machinery and facilities	30.00	12,000,000	8,820,000	10.38%	Note b
BARL (Note 16)	Organic farming and agriculture business	30.00	12,000,000	12,000,000	14.12%	Note c
Total			72,999,595	53,889,224	63.41%	900

# Notes to the Financial Statements

For the year ended 31 December 2009

## 19. INVESTMENTS – continued As at 31 December 2008

Name	Nature of business	% of total issued capital	Invested amount HK\$	Carrying amount HK\$ (Note b)	% of gross asset value	Dividend received HK\$
Culturecom Holdings Limited	Publishing	0.24	3,509,263	510,881	1.02%	–
Mobile Telecom Network (Holdings) Limited	Provision of mobile internet communication and telecommunications	1.93	2,649,277	867,160	1.73%	–
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaics business	0.57	14,527,765	1,422,150	2.84%	–
REXLot Holdings Limited	Provision of financial services	0.01	22,296	93,000	0.19%	–
ViaGOLD Capital Limited	Travel related business	9.41	11,727,980	8,308,411	16.61%	–
China Bio Cassava Holdings Limited	Development and sales of computer software	3.78	11,416,390	6,490,000	12.98%	–
Dyxnet	Provision of internet services	3.72	4,000,000	1,380,000	2.76%	–
北京華寶	Leasing of equipment, machinery and facilities	30.00	12,000,000	8,820,000	17.64%	Note b
BARL	Organic farming and agriculture business	30.00	12,000,000	12,000,000	24.00%	Note c
Total			71,852,971	39,891,602	79.77%	–

\* The Company held only 9 investments at the year end

Notes:

- Except for the investment in BARL, all investments are stated at fair values.
- From October of 2009, 北京華寶 commenced car leasing business but no dividend was declared or received from the investment in 北京華寶. Nevertheless, pursuant to the sale and purchase agreement dated 28 November 2007, the vendor of 北京華寶 has provided a guarantee to the Company for an annual return of not less than HK\$2,640,000 for each of the 3 years ended 31 December 2008, 2009 and 2010 respectively. The Company has recorded and subsequently received the investment return of HK\$2,640,000 from the counterparty for the year ended 31 December 2009.
- During the year ended 31 December 2009, no dividend was declared or received from the investment in BARL. However, pursuant to the original co-operation agreement dated 31 December 2007, the counterparty has provided a guarantee to the Company for an annual return of not less than HK\$2,640,000 for each of the 5 years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. The Company has recorded and subsequently received the investment return of HK\$2,640,000 from the counterparty for the year ended 31 December 2009.
- China Bio Cassava Holdings Limited (“China Bio Cassava”) is a company incorporated in the Cayman Islands. As at 31 December 2009, the Company held 295,000,000 (2008: 295,000,000) ordinary shares of China Bio Cassava at a par value of HK\$0.0025 each.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 20. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2009 HK\$	2008 HK\$
Other receivables	5,317,828	5,280,000
Less: Provision for impairment loss on other receivables	(37,808)	–
Other receivables – net	5,280,000	5,280,000
Prepayments	131,520	491,216
Rental and utility deposits	337,028	268,022
Current portion	5,748,548	6,039,238

Included in other receivables are a guaranteed annual return of HK\$5,280,000 and an interest receivable of HK\$37,808. The guaranteed annual return is receivable from the counterparties of investment contracts the Company has entered into as disclosed in notes 19(b) and 19(c) to the financial statements. The interest receivable represented an interest receivable from a deposit of the acquisition of investment in 廣州星越, as disclosed in note 17.

The carrying value of other receivables, prepayments and deposits approximates to its fair value due to its short term maturity.

All other receivables, prepayments and deposits are denominated in Hong Kong dollars.

As discussed in note 17 to the financial statements, the Company considers that the deposit of the acquisition of investment in 廣州星越 is unlikely to be recovered, the interest receivable thereon is also fully impaired.

Except for the interest receivable from the deposit, other classes with other receivables, prepayments and deposits do not contain impaired assets.

Movements on the provision for impairment of other receivables are as follows:

	2009 HK\$	2008 HK\$
Provision for receivable impairment and at the end of the reporting period	37,808	–

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as securities.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 21. CASH AND CASH EQUIVALENTS

	2009 HK\$	2008 HK\$
Cash at bank and securities agent	25,090,933	1,077,581
Cash on hand	1,638	1,131
	<b>25,092,571</b>	1,078,712
Maximum exposure to credit risk	<b>25,090,933</b>	1,077,581

All cash and cash equivalents are denominated in Hong Kong dollars.

## 22. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary shares HK\$	Share premium HK\$	Total HK\$
At 1 January 2008 and at 31 December 2008	1,359,600,000	1,359,600	20,476,643	21,836,243
Placing of new shares	249,000,000	249,000	24,150,759	24,399,759
Exercise of share options	21,600,000	21,600	4,211,128	4,232,728
At 31 December 2009	<b>1,630,200,000</b>	<b>1,630,200</b>	<b>48,838,530</b>	<b>50,468,730</b>

The total number of authorised ordinary shares is 200,000,000,000 shares (2008: 200,000,000,000 shares) with a par value of HK\$0.001 per share (2008: HK\$0.001 per share). All issued shares are fully paid.

On 26 February 2009, the Company entered into a placing agreement (the "Placing Agreement") with a Placing Agent, an independent third party. On 19 March 2009, the placing was completed. Pursuant to the Placing Agreement, the Company issued a total of 249,000,000 ordinary shares with par value of HK\$0.001 each at a price of HK\$0.100 each. The issued share capital of the Company was thus increased from HK\$1,359,600 to HK\$1,608,600. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company will apply approximately HK\$24.4 million of the proceeds raised for numerous future investment opportunities to fulfill the investment objectives of the Company.

During the year, share options were exercised to subscribe for 21,600,000 ordinary shares of the Company at a total consideration of HK\$3,732,500, out of which HK\$21,600 was credited to the share capital, HK\$500,228 was debited to the share-based payment reserves and the balance of HK\$4,211,128 was credited to the share premium.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 23. OTHER PAYABLES AND ACCRUED CHARGES

	2009 HK\$	2008 HK\$
Accrued expenses	<b>440,850</b>	411,314

The carrying value of accrued expenses approximates to its fair value due to its short term maturity.

	2009 HK\$	2008 HK\$
Denominated in:		
– Hong Kong dollars	<b>432,507</b>	392,667
– US dollars	<b>8,343</b>	18,647
	<b>440,850</b>	411,314

## 24. DEFERRED INCOME TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Company did not recognise deferred income tax assets of HK\$4,682,127 (2008: HK\$3,635,977) in respect of losses amounting to HK\$28,376,525 (2008: HK\$22,036,225) that can be carried forward against future taxable income. The estimated tax losses may be carried forward indefinitely.

No provision for deferred taxation has been made as the Company does not have any significant timing difference in tax provision which is expected to be crystallized in the foreseeable future. (2008: Nil).

# Notes to the Financial Statements

For the year ended 31 December 2009

## 25. CASH USED IN OPERATIONS

	<i>Note</i>	2009 HK\$	2008 HK\$
Profit/(loss) before income tax		1,560,828	(45,019,191)
Adjustments for:			
– Depreciation	14	100,675	–
– Dividend income	7	(900)	–
– Impairment loss on available-for-sale financial assets	8	613,000	3,180,000
– Impairment loss on other receivables	8	37,808	–
– Impairment loss on a deposit	8	3,000,000	–
– Interest income	7	(39,865)	(26,685)
– Interest expenses	10	24	–
– Share options granted for the year	29	5,932,451	701,240
– Investment income		–	(5,280,000)
Changes in working capital:			
– Financial assets at fair value through profit or loss		(15,270,622)	37,323,378
– Other receivable, prepayments and deposits		290,690	(273,844)
– Other payables and accrued charges		29,536	(190,530)
Cash used in operations		<b>(3,746,375)</b>	(9,585,632)

### Non-cash transactions

Reversal of fair value gain of an available-for-sale financial asset of HK\$660,000 (2008: fair value gain of HK\$660,000) was recognised in equity.

Included in interest income is an amount receivable from an other receivable of HK\$37,808 whereas the income was fully provided in “Impairment loss on other receivables”.

## 26. COMMITMENTS UNDER OPERATING LEASES

The Company leases an office under a non-cancellable operating lease agreement.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	2009 HK\$	2008 HK\$
Not later than 1 year	839,376	346,883
Later than 1 year but not later than 5 years	209,844	–
	<b>1,049,220</b>	346,883

# Notes to the Financial Statements

For the year ended 31 December 2009

## 27. RETIREMENT BENEFIT OBLIGATIONS

The Company operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Company, in funds under the control of trustees. The Company contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$20,000.

The total cost charged to income statement of HK\$60,533 (2008: HK\$57,500) represents contributions payable to this scheme by the Company in respect of the current accounting year.

## 28. RELATED PARTY TRANSACTIONS

Under Listing rules Chapter 21.13, any investment manager, investment adviser or custodian (or any connected person thereof) is regarded as connected person.

The following transactions were carried out with related parties:

	2009 HK\$	2008 HK\$
Investment management fee paid and payable to		
Success Talent Investments Limited	90,000	360,000
Up Way Asia Fund Management Limited	237,097	–
	<b>327,097</b>	360,000
Consultancy fees to a substantial shareholder		
Mr. Look Andrew – consultancy Fee	80,000	–
– share-based payments	1,963,520	–
	<b>2,043,520</b>	–

Under an investment management agreement, Success Talent Investments Limited was entitled to a fixed management fee of HK\$30,000 (2008: HK\$30,000) per month. The Investment Management Agreement was expired on 31 March 2009. On 4 May 2009, the Company entered into a new investment management agreement to appoint Up Way Asia Fund Management Limited as a new investment manager of the Company and fixed the management fee of HK\$30,000 per month effective from 1 May 2009.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 29. SHARE OPTION SCHEME

The Company's Share Option Scheme (the "Scheme") was adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and will expire on 7 February 2012. Under the Scheme, the Board may grant options to Directors of the Company (including Non-executive Directors and Independent Non-executive Directors) and its eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 for the options granted. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

On 30 January 2008, the Company granted options under the Scheme to certain Directors, employees and consultants of the Company, which entitle them to subscribe for a total of 99,000,000 shares at HK\$0.175 per share, upon payment of HK\$1 per grant.

On 10 June 2009, the Company granted share options under the Scheme to certain Directors, employee and consultants of the Company, which entitle them to subscribe for a total of 135,960,000 ordinary shares at HK\$0.170 per share, upon payment of HK\$1 per grant.

The grant of the aggregate of 135,960,000 share options of which 65,000,000 share options is conditional on, among others, the shareholders' approval at the special general meeting and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such number of Shares which may be issued pursuant to exercise of options to be granted. On 19 August 2009, the shareholders' approval was obtained through the passing of ordinary resolutions at special general meeting and the approval from the Stock Exchange has also been obtained thereafter.

All the 213,360,000 outstanding share options granted and yet to be exercise represents approximately 13.09% of the issued share capital of the Company as at 31 December 2009. All the options granted are exercisable within a period of 10 years commencing on the adoption date. These share options vested at the dates of their issue and they are non-transferable.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 29. SHARE OPTION SCHEME – continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

### 31 December 2009

Date of grant	Exercise price	Number of options				As at 31 December 2009	Note
		As at 1 January 2009	Granted during the year	Exercised during the year	Cancelled during the year		
<b>Share Option Scheme adopted by the Company on 8 February 2002</b>							
30 January 2008	HK\$0.175	99,000,000	–	(12,100,000)	–	86,900,000	(i)
10 June 2009	HK\$0.170	–	135,960,000	(9,500,000)	–	126,460,000	(i)
		99,000,000	135,960,000	(21,600,000)	–	213,360,000	
Weighted average exercise price		HK\$0.175	HK\$0.170	HK\$0.173	–	HK\$0.172	

### 31 December 2008

Date of grant	Exercise price	Number of options				As at 31 December 2008	Note
		As at 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year		
<b>Share Option Scheme adopted by the Company on 8 February 2002</b>							
30 January 2008	HK\$0.175	–	99,000,000	–	–	99,000,000	(i)
Weighted average exercise price		–	HK\$0.175	–	–	HK\$0.175	

Note:

- (i) The share options outstanding at 31 December 2009 and 31 December 2008 were granted to eligible participants and exercisable during a period of 10 years commencing on the date of each grant. These share options vested at the dates of their issues.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 29. SHARE OPTION SCHEME – continued

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK\$	2009	2008
		Number of share options	Number of share options
29 January 2018	0.175	<b>86,900,000</b>	99,000,000
9 June 2019	0.170	<b>126,460,000</b>	–
		<b>213,360,000</b>	99,000,000

The estimated fair value of the share options granted during the period was approximately HK\$5,932,451 (2008: HK\$701,240). Total consideration received/receivable during the period from employees, directors and consultants for taking up the share option granted amounted to HK\$21. The fair value was calculated using the Black-Scholes Option Pricing Model, taking into account the terms and condition upon which the options were granted.

The significant assumptions and inputs used in the valuation model are as follows:

	As at 10.6.2009 HK\$	As at 31.1.2008 HK\$
Spot price	<b>HK\$0.170</b>	HK\$0.170
Exercise price	<b>HK\$0.170</b>	HK\$0.175
Expected volatility	<b>100.728%</b>	42.990%
Expected life (360 days for a year)	<b>180 days</b>	40 days
Risk free rate	<b>0.06%</b>	1.473%
Expected dividend yield	–	–

Expected volatility was determined based on the historical stock prices of the Company as at the valuation date under the same period as the expected life.

The expected life was determined with reference to the Company's historical share price record as extracted from Bloomberg.

The risk free rate was determined with reference to the Hong Kong Exchange Fund Note and the expected life as extracted from Bloomberg.

# Financial Summary

	1.1.2005 to 31.12.2005 HK\$	1.1.2006 to 31.12.2006 HK\$	1.1.2007 to 31.12.2007 HK\$	1.1.2008 to 31.12.2008 HK\$	1.1.2009 to 31.12.2009 HK\$
<b>Results</b>					
Profit/(loss) from operations and before income tax	(897,386)	10,025,677	14,998,222	(45,019,191)	<b>1,560,828</b>
Income tax expense/(income)	–	(18,600)	–	18,600	–
Net profit/(loss) for the year	(897,386)	10,007,077	14,998,222	(45,000,591)	<b>1,560,828</b>
Earnings/(loss) per share – Basic (HK cents)	(0.77) cents	8.10 cents	1.86 cents	(3.31) cents	<b>0.10 cents</b>
<b>As at 31 December</b>					
	2005 HK\$	2006 HK\$	2007 HK\$	2008 HK\$	2009 HK\$
<b>Assets and liabilities</b>					
Total assets	47,332,295	56,822,301	93,839,433	50,009,552	<b>85,004,626</b>
Total liabilities	(812,648)	(295,577)	(601,844)	(411,314)	<b>(440,850)</b>
Total equity	46,519,647	56,526,724	93,237,589	49,598,238	<b>84,563,776</b>