The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(Stock Code: 145)

Annual Report 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lau Yu Fung, Wilson
Mr. Chan Chun Wai
Mr. Au Tin Fung

Non-Executive Director
Mr. Tang Yu Ming, Nelson *(Chairman)*

Independent Non-Executive Directors
Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

AUDIT COMMITTEE

Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

NOMINATION COMMITTEE

Mr. Tang Yu Ming, Nelson *(Chairman)*
Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

REMUNERATION COMMITTEE

Mr. Tang Yu Ming, Nelson *(Chairman)*
Mr. Chan Chi Yuen
Mr. So Yuen Chun
Mr. Ng Cheuk Fan, Keith

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

SOLICITOR

Angela Wang & Co

SHARE REGISTRAR

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

REGISTERED OFFICE

Rm 3501, 35/F, China Online Centre,
No. 333 Lockhart Road, Wanchai, Hong Kong

STOCK CODE

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WEBSITE

http://www.hkbla.com.hk

COMPANY SECRETARY

Ms. Chow Man Ngan

CONTENTS

CHAIRMAN'S STATEMENT

It is my pleasure to present to our shareholders the annual report of the Company for the year ended 31 December 2009.

BUSINESS REVIEW

2009 was a challenging year. The financial tsunami affected economies globally, weakening the job market and local consumption at the beginning of the year. Fortunately, confidence was regained and asset markets in Hong Kong gradually recovered in the second quarter, with continuous improvements in the stock and property markets throughout the second half of the year. Coping with such an environment, the Group recorded an improved performance for 2009 as compared with 2008. Profit attributable to the owners of our Company was approximately HK$3.4 million and the total comprehensive income attributable to the owners of our Company was approximately HK$2.5 million. The Group remained debt-free and maintained a strong liquidity position.

DIVIDEND

The Directors do not recommend the payment of a final dividend.

The Annual General Meeting of the Company will be held on 28 May 2010 and there will be no closure of the Register of Members of the Company as no final dividend is being paid.

PROSPECTS

Looking ahead, although the global economies show signs of stabilization, there are still uncertainties. Implementation of economic stimulus measures in Mainland China continues to bear significant impact on the outlook for Hong Kong. Competition in the financial markets continues to be intensive. Consequently, the management continues to exercise caution when extending credit. To further strengthen our core businesses, the management will take advantage of its strong balance sheet and will look for potential acquisition and investment opportunities and will maintain an appropriate cost containment discipline.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere appreciation to our management team and staff members for their invaluable service during the year.

Tang Yu Ming, Nelson
Chairman

Hong Kong, 26 March 2010

DISCUSSION AND ANALYSIS OF ANNUAL RESULTS

The Group's treasury investments recorded an increase in profit. Whilst the activity level in the Group's mortgage finance business segment remained at a modest level. For the year ended 31 December 2009, the Group recorded a profit attributable to the owners of the Company of approximately HK$3.4 million (2008: Loss of approximately HK$1.5 million) with revenue of approximately HK$3.8 million (2008: approximately HK$7.6 million).

RESULTS FOR THE YEAR

The principal businesses of the Group remained mortgage financing and treasury investments.

The competition in mortgage finance market remained keen and interest margin continued to remain low. The revenue contributed by mortgage financing record a slightly decrease to approximately HK$1.7 million (2008: approximately HK$1.8 million) and the profit contributed by mortgage financing increased to approximately HK$1.7 million (2008: approximately HK$1.4 million).

The revenue contributed by the treasury investments dropped to approximately HK$2.1 million (2008: approximately HK$5.8 million) as a result of decrease in securities trading activities. The profit contributed by treasury investments sharply increased to HK$13.3 million (2008: HK$3.4 million).

TOTAL ASSETS

At 31 December 2009, the total assets increased to approximately HK$232.4 million (2008: HK$230.3 million). All assets were denominated in Hong Kong dollars except for the some financial assets at fair value through profit or loss, available-for-sale investments and some bank balances, which were denominated in United States dollars and some of the convertible bonds investments which were denominated in Singapore dollars ("SGD"), United States dollars ("USD") and Chinese Renminbi Yuan ("RMB"); henceforth there was an exposure to foreign exchange currency rate risk albeit a modest one.

During the year, the Company disposed those convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%, in the amount of HK$5,371,000, HK$16,144,000 and HK$9,001,000 denominated in USD, SGD and RMB, respectively. On the contrary, the Company purchased another convertible bond with zero coupon rate of US$2.5 million. In addition, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issue to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity of the loan is 31 October 2010. The structured secured loan is denominated in USD and carrying a fixed interest rate of 4.875%. Upon the successful Initial Public Offering of the issuer of the loan, the Company received the guaranteed interest return and the put option expired.

The Group maintained a strong liquidity position throughout the year. At the end of financial period, the Group held trading investments amounting to approximately HK$110 million (2008: approximately HK$40.3 million) and bank balances amounting to approximately HK$23 million (2008: approximately HK$122.5 million).

DISCUSSION AND ANALYSIS OF ANNUAL RESULTS

CAPITAL STRUCTURE

Currently, the Group is debt-free. There were no charges on the Group's assets and the Group had no material capital commitment or contingent liabilities outstanding at the end of the year (2008: Nil).

The net asset value of the Group at 31 December 2009 increased by 1.1% to approximately HK$231.1 million (2008: approximately HK$228.6 million), with the net asset value per share standing at approximately HK$1.02 (2008: approximately HK$1.02).

STAFF AND REMUNERATION

The Group had 12 (2008: 10) employees at 31 December 2009 and total staff costs incurred during the year amounted to approximately HK$4.6 million (2008: approximately HK$2.8 million). The Group offers competitive remuneration packages to its employees. Currently, there is no share option granted or exercised during the year under review.

OUTLOOK

The Group continues to maintain its traditional principal activities after the takeover by new management in 2009. However, the management is conducting a review on the business operations and financial position of the Group, with a view to formulating a business plan and strategy suitable for the Group. At the same time, the management is evaluating all and any other options, including but not limited to expanding the current financial services business of the Group, commencing real estate development business or expanding into other businesses on an opportunistic basis.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2009, the Company applied the principles of and complied with most of the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the insufficient number of independent non-executive directors, details of which are set out in the section heading "Board of Directors" below. The Board will review the current practices at least annually and make appropriate changes if considered necessary. During the year, the Board has reviewed and updated the corporate governance's framework; inter alia, to review and revise the terms of reference of Audit Committee as well as the Model Code for securities transactions by Directors and employees of the Company with reference to the recent revisions to the Listing Rules and the CG Code.

BOARD OF DIRECTORS

The Board currently comprises seven Directors in total, with three executive Directors, one non-executive Director and three independent non-executive Directors ("INEDs"). The composition of the Board is set out as follows:

Executive Directors:	Mr. Lau Yu Fung, Wilson Mr. Chan Chun Wai Mr. Au Tin Fung
Non-executive Director:	Mr. Tang Yu Ming, Nelson *(Chairman)*
INEDs:	Mr. Chan Chi Yuen Mr. So Yuen Chun Mr. Ng Cheuk Fan, Keith

The brief biographical details of the Directors are set out in the "Brief Biographical details of Directors and Senior Management" section on pages 24 and 25.

Pursuant to Rule 3.10(1) of the Listing Rules, every Board of Directors of a listed issuer must include at least three INEDs. As a result of the resignation of Messrs. Alan Howard Smith, *J.P.*, Stephen King Chang-Min and Patrick Smulders on 23 October 2009, the re-designation of Mr. Au Tin Fung from an INED to an Executive Director on the same day as well as the resignation of Mr. Yu Kam Kee, Lawrence as INED and all his offices in the Company on 2 December 2009, the Company had only one INED and failed to meet the minimum number requirement under Rule 3.10(1) of the Listing Rules. In this regard, the Company immediately informed the Stock Exchange and made proper disclosure in its announcements containing details and reasons for the Company's failure to meet the requirements. On 15 January 2010, the Company appointed Messrs. So Yuen Chun and Ng Cheuk Fan, Keith as INEDs and Audit Committee members. The requirements under Rule 3.10(1) and Rule 3.21 have been fulfilled since then.

Save as disclosed above, throughout the year ended 31 December 2009, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of sufficient number of INEDs and the requirement for at least one INED to have appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The INEDs, with sound professional expertise and experience, have actively participated in the Board and committee meetings and bring independent judgment on issues relating to the Group's strategy, performance and management process. They will take various roles in the Board committees.

As at the date of this report, the Company had three INEDs representing more than one-third of the Board. All INEDs have the appropriate professional qualifications or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The INEDs have been expressly identified as such in all corporate communications and the website of the Company that disclose the names of Directors. The INEDs were appointed for a fixed term of three years.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group in addition to the meetings for reviewing and approving the Group's annual and interim results. The attendance of Directors, either in person or through other electronic means of communication, to the number of Board meetings held during the period under review or during their tenure of services, are as follows:–

	Number of Board meetings attended/ eligible to attend
Executive Directors:	
Mr. Lau Yu Fung, Wilson *(appointed on 2 October 2009)*	5/5
Mr. Chan Chun Wai *(appointed on 2 October 2009)*	5/5
Mr. Au Tin Fung *(appointed on 2 October 2009 as INED and re-designated as Executive Director on 23 October 2009)*	5/5
Mr. John Zwaanstra *(Former Chairman)* *(resigned on 23 October 2009)*	5/6
Mr. John Pridjian *(Former Chief Executive)* *(resigned on 23 October 2009)*	6/6
Mr. Todd David Zwaanstra *(resigned on 23 October 2009)*	6/6
Mr. Jonathon Jarrod Lawless *(resigned on 23 October 2009)*	6/6
Non-executive Director:	
Mr. Tang Yu Ming, Nelson *(Chairman)* *(appointed on 2 October 2009)*	5/5

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

	Number of Board meetings attended/ eligible to attend
INEDs:	
Mr. Chan Chi Yuen *(appointed on 2 October 2009)*	4/5
Mr. Yu Kam Kee, Lawrence *(appointed on 2 October 2009 and resigned on 2 December 2009)*	1/2
Mr. So Yuen Chun *(appointed on 15 January 2010)*	2/2
Mr. Ng Cheuk Fan, Keith *(appointed on 15 January 2010)*	2/2
Mr. Alan Howard Smith, *J.P.* *(resigned on 23 October 2009)*	6/6
Mr. Stephen King Chang-Min *(resigned on 23 October 2009)*	5/6
Mr. Patrick Smulders *(resigned on 23 October 2009)*	4/6

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, financial performance, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. Currently, the Board has delegated the daily operations and administration to the Lending Committee and/or Investment Committee.

Each year, Board meetings, which are scheduled in advance to facilitate maximum attendance of Directors, are to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a Board meeting is given to all Directors for the regular meetings who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. Reasonable notices have been given to all Directors generally prior to meetings, except in cases of emergency. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. Draft minutes of each Board meeting are circulated to all Directors for their comment before being approved by the Board. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

According to the current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company (the "Articles of Association") also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest therein. In addition, he has to declare his interests therein in accordance with the Articles of Association of the Company.

Every Director is entitled to have access to board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be updated continuously on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, a written procedure was established in October 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and the Chief Executive are separate to reinforce their respective independence and accountability. The Chairman of the Company is primarily responsible for the leadership of the Board, ensuring that sufficient time is allowed for the Board to discuss complex or contentious issues, that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. During the year, the role of Chairman has been performed by Mr. John Zwaanstra (up to 23 October 2009) and Mr. Tang Yu Ming, Nelson (commencing from 23 October 2009).

The functions of the Chief Executive are performed by a former Executive Director, Mr. John Pridjian, who resigned on 23 October 2009, and currently, all three Executive Directors jointly, namely, Messrs. Lau Yu Fung, Wilson, Chan Chun Wai and Au Tin Fung. They are responsible for the executive management of the Company's operations. The division of responsibilities between the Chairman and Chief Executive has been set out in writing and approved by the Board in June 2005.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Nomination Committee

The Nomination Committee of the Company has been established in June 2005 with a majority of its members are INEDs. Currently, it consists of four members, namely, Messrs. Tang Yu Ming, Nelson (Chairman), Chan Chi Yuen, So Yuen Chun and Ng Cheuk Fan, Keith.

The major roles and functions of the Nomination Committee are:

(i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(iii) to assess the independence of INEDs;

(iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive;

(v) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and

(vi) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The terms of reference of the Nomination Committee have been posted on the Company's website.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS *(continued)*

The Nomination Committee shall meet before the holding of an annual general meeting of the Company where appointment or re-election of Directors will be considered and additional meetings shall be held as and when necessary. During the year, one Nomination Committee meeting was held before the 2009 annual general meeting to consider the re-election of Directors and the attendance of each member is set out as follows:

Committee member	Number of Committee meetings attended/ eligible to attend
Mr. Tang Yu Ming, Nelson *(Chairman)**	N/A
Mr. Chan Chi Yuen*	N/A
Mr. Yu Kam Kee, Lawrence*	N/A
Mr. So Yuen Chun**	N/A
Mr. Ng Cheuk Fan, Keith**	N/A
Mr. Jonathon Jarrod Lawless *(Former Chairman)****	1/1
Mr. Todd David Zwaanstra***	1/1
Mr. Alan Howard Smith, *J.P.****	1/1
Mr. Stephen King Chang-Min***	1/1
Mr. Patrick Smulders***	0/1

Note: * *Messrs. Tang Yu Ming, Nelson, Yu Kam Kee, Lawrence and Chan Chi Yuen were appointed as members of Nomination Committee of the Company on 2 October 2009. Up to the date of this report, no Nomination Committee meeting was held since their appointment. Mr. Yu Kam Kee, Lawrence resigned all his offices in the Company on 2 December 2009. The function of identifying suitable candidates to become Board members was then performed by the Board jointly.*

** *Messrs. So Yuen Chun and Ng Cheuk Fan, Keith were appointed as members of Nomination Committee of the Company on 15 January 2010 and no Nomination Committee meeting was held since their appointment.*

*** *Messrs. Jonathon Jarrod Lawless, Todd David Zwaanstra, Alan Howard Smith J.P., Stephen King Chang-Min and Patrick Smulders resigned on 23 October 2009.*

During the year under review, the names of all Directors submitted for appointment, re-designation, election or re-election, have been accompanied by the same biographical details as required under Rule 13.51(2). For those resigned Directors, the Company has also complied with Rule 13.51(2) and included in its announcements the reasons given by the Directors for their resignation and a statement confirming whether there are any matters that need to be brought to the attention of shareholders.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS *(continued)*

Every newly appointed Director of the Company will receive an information package from the Company Secretary on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance (the "SFO"). In addition, this information package includes material to briefly describe the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

INED / NON-EXECUTIVE DIRECTOR

On 15 January 2010, the Chairman and Non-Executive Director, Mr. Tang Yu Ming, Nelson entered into a service agreement with the Company for a fixed term of one year commencing retrospectively by his appointment date (i.e. 2 October 2009). All INEDs of the Company were appointed for a specific term of three years with effect from their respective appointment dates (i.e. for Mr. Chan Chi Yuen, on 2 October 2009; for both of Messrs. So Yuen Chun and Ng Cheuk Fan, Keith, with effect from 15 January 2010). All of them are subject to the relevant provisions in the Articles of Association or any other applicable laws whereby the Directors shall vacate or retire from their office.

According to the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation. Further, any Director appointed to fill a casual vacancy should hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board should hold office until the next following annual general meeting and, in both cases, those Directors would then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

In addition to the Nomination Committee, the Board established other Board committees, including but not limited to, the Remuneration Committee and the Audit Committee. Each of them has its specific written terms of reference or guidelines. Copies of minutes of all meetings and resolutions of the committees, which are duly kept by the Company Secretary, are circulated to all Board members. The committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on page 8 in the section "The Board" above, have been adopted for the committee meetings as far as practicable.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee

The Remuneration Committee has been established since June 2005 and currently consists of four members, including Messrs. Tang Yu Ming, Nelson (Chairman), Chan Chi Yuen, So Yuen Chun and Ng Cheuk Fan, Keith. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

(i) to consult the Chairman and/or the chief executive(s) of the Company about their proposals relating to the remuneration of executive Directors and the senior management (which should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 or other rule(s) from time to time under the Listing Rules) of the Company (the "Senior Management");

(ii) to make recommendations to the Board on the policy and structure for all remuneration of Directors and the Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(iii) have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and the Senior Management, including (but not limited to) benefits in kind, pension rights and compensation payments (such as compensation payable for loss or termination of their office or appointment), and make recommendations to the Board of the remuneration of non-Executive Directors. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remunerations;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

(iv) to review and approve the compensation payable to Executive Directors and Senior Management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(vi) to ensure that no Director or any of his associates is involved in deciding his own remuneration. For this purpose, the remuneration of any member of the Committee shall be determined by the Board;

(vii) to advise shareholders of the Company on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 13.68 or other rule(s) from time to time as set out in the Listing Rules; and

(viii) to review and approve performance-based remuneration by reference to the goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee were adopted in June 2005 and revised in July 2007 and have been posted on the Company's website.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The Remuneration Committee shall meet at least once a year. One Remuneration Committee meeting was held in 2009 to review (i) the existing policy and structure for the remuneration of Directors and Senior Management; (ii) the remuneration packages of all the Executive Directors and Senior Management; and (iii) the remuneration of the INEDs. The attendance of each member are set out as follows:

Committee member	**Number of Committee meetings attended/ eligible to attend**
Mr. Tang Yu Ming, Nelson *(Chairman)**	N/A
Mr. Chan Chi Yuen*	N/A
Mr. Yu Kam Kee, Lawrence*	N/A
Mr. So Yuen Chun**	N/A
Mr. Ng Cheuk Fan, Keith**	N/A
Mr. Todd David Zwaanstra *(Former Chairman)****	1/1
Mr. John Pridjian***	1/1
Mr. Alan Howard Smith, *J.P.****	1/1
Mr. Stephen King Chang-Min***	1/1
Mr. Patrick Smulders***	1/1

*Note: * Messrs. Tang Yu Ming, Nelson, Yu Kam Kee, Lawrence and Chan Chi Yuen were appointed as members of Remuneration Committee of the Company on 2 October 2009. Up to the date of this report, no Remuneration Committee meeting was held since their appointment. Mr. Yu Kam Kee, Lawrence resigned all his offices in the Company on 2 December 2009. The function of reviewing policy and structure, and considering remuneration packages for all Executive Directors and Senior Management was performed by the Board jointly.*

*** Messrs. So Yuen Chun and Ng Cheuk Fan, Keith were appointed as members of Remuneration Committee of the Company on 15 January 2010 and no Remuneration Committee meeting was held since their appointment.*

**** Messrs. Todd David Zwaanstra, John, Pridjian, Alan Howard Smith, J.P., Stephen King Chang-Min and Patrick Smulders resigned on 23 October 2009.*

The remuneration payable to Directors will depend on their respective contractual terms under their service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

During the year, the Remuneration Committee recommended to the Board on the following:

(i) the payment of a director's fee to each of the Executive Directors; and

(ii) the remuneration of the INEDs remained appropriate in the current market conditions in Hong Kong.

Audit Committee

The Audit Committee currently consists of all three INEDs. The Audit Committee is chaired by Mr. Chan Chi Yuen, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and an associate of The Institute of Chartered Accountants in England and Wales. The other members of the Audit Committee are Messrs. So Yuen Chun and Ng Cheuk Fan, Keith. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The major roles and functions of the Audit Committee are:

(i) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions on resignation or dismissal of that auditor;

(ii) to consider and discuss with the external auditor the nature and scope of each year's audit;

(iii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(iv) to develop and implement policy on the engagement of an external auditor to supply non-audit services;

(v) to review the interim and annual financial statements before submission to the Board;

(vi) to consider any significant or unusual items that are, or may need to be, reflected in the interim and annual financial statements, and any matters the external auditor, the Company's Senior Management may wish to discuss;

(vii) to review the Group's financial controls, internal control and risk management systems; and

(viii) to consider any findings of major investigations of internal control matters as delegated by the Board and management's response.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

To keep it in line with certain changes in Listing Rules, the terms of reference of Audit Committee of the Company were revised in January 2009 and adopted by the Board. The revised version has been posted on the Company's website.

The Audit Committee shall meet at least twice a year. The attendance of each Audit Committee member, either present in person or through other electronic means of communication, to the number of Audit Committee meetings held during the period under review or during their tenure of services, is as follows:–

Committee member	**Number of Committee meetings attended/ eligible to attend**
Mr. Chan Chi Yuen *(Chairman)**	1/1
Mr. Yu Kam Kee, Lawrence*	N/A
Mr. Au Tin Fung*	N/A
Mr. So Yuen Chun**	1/1
Mr. Ng Cheuk Fan, Keith**	1/1
Mr. Alan Howard Smith, *J.P. (Former Chairman)****	2/2
Mr. Stephen King Chang-Min***	2/2
Mr. Patrick Smulders***	2/2

Note: * *Messrs. Chan Chi Yuen, Yu Kam Kee Lawrence and Au Tin Fung were appointed as members of Audit Committee of the Company on 2 October 2009.*

Mr. Au Tin Fung was re-designated as an Executive Director of the Company on 23 October 2009 and ceased to be a member of Audit Committee. Mr. Yu Kam Kee, Lawrence resigned all his offices in the Company on 2 December 2009. No Audit Committee meeting was held during their tenure of services.

Following Mr. Au's re-designation and Mr. Yu's resignation, the Company has informed immediately the Stock Exchange and issued proper announcements containing details of and reasons for the Company's failure to meet the minimum number requirement as set out in Rule 3.21 of the Listing Rules. The Board has appointed appropriate candidates to meet the said requirements within the prescribed timeframe as stipulated under the Listing Rules.

** *Messrs. So Yuen Chun and Ng Cheuk Fan, Keith were appointed as members of Audit Committee of the Company on 15 January 2010.*

*** *Messrs. Alan Howard Smith, J.P., Stephen King Chang-Min and Patrick Smulders resigned on 23 October 2009.*

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

During the meetings held in 2009, the Audit Committee had performed the work as summarised below:

(i) recommended to the Board for the re-appointment of Messrs. Deloitte Touche Tohmatsu ("DTT") as auditor of the Group;

(ii) reviewed and recommended to the Board for approval the engagement letters issued by DTT for the confirmation of various matters relating to DTT's engagement as auditor of the Group for the year ended 31 December 2008 and for the six months ended 30 June 2009;

(iii) reviewed the letter of representation and the financial statements for the year ended 31 December 2008 and recommended the same to the Board for approval;

(iv) reviewed the letter of representation and unaudited interim financial information for the six months ended 30 June 2009 and recommended the same to the Board for approval; and

(v) reviewed the auditor's independent review report for the six months ended 30 June 2009.

Full minutes of Audit Committee meetings were kept by the Company Secretary. Draft and final versions of minutes were sent to all members of Audit Committee within reasonable time after the meeting for their comments and records respectively.

Other Committees

The Company established Executive Committee in October 2005 and is vested it with all the general powers of management and control of activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. It comprised of four former Executive Directors, being Messrs. John Pridjian (Chairman), John Zwaanstra, Todd David Zwaanstra and Jonathon Jarrod Lawless. All of them resigned on 23 October 2009.

The management, having considered that all members of Executive Committee have resigned and the function of Executive Committee has been substituted the operation of Executive Directors of the Company, is considering dissolving the Executive Committee.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors. To align with the recent amendments made to the Listing Rules, the Company has revised its Model Code. All Directors, following a specific enquiry by the Company, have confirmed that they have complied with the required standard as set out in the Model Code.

To comply with the code provision A.5.4 of the CG Code as well as the recent amendments made to the Listing Rules, the Company has also revised its Model Code to regulate securities dealings of the Company by employees who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the accounting department, the financial statements of the Group. In preparing the financial statements for the year ended 31 December 2009, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance were complied with.

The reporting responsibilities of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, are set out in the Auditor's Report on pages 30 and 31.

Internal Controls

The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and manage rather than eliminate risks of failure in operational systems. In 2009, the Board, through the Audit Committee, has reviewed the effectiveness of the internal control systems of the Group.

The Board will review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget annually.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

External Auditor's Remuneration

During the year, the remuneration paid/payable to the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered for the Group

	Fee paid/payable *HK$'000*
Audit services	380
Non-audit services (including taxation advisory service fees)	236
Total	616

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information as well as the recent development of the Group are also made available on the Company's website.

The Company's annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The former Chairman participated in the 2009 AGM and personally chaired the meeting to answer any questions from the shareholders. The former Chairman of the Audit Committee and Remuneration Committee were available to answer questions at the 2009 AGM. An AGM circular was distributed to all shareholders at least 20 clear business days prior to the 2009 AGM, setting out details of each proposed resolution, procedures for conducting a poll and other relevant information. The former Chairman, at the commencement of the 2009 AGM, detailed the procedures for conducting a poll and provided opportunity to shareholders to raise questions regarding voting by way of a poll.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

Au Tin Fung
Director

Hong Kong, 26 March 2010

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in investment holding, treasury investments and the provision of loan financing and other related services. The principal activities and other particulars of the Company's subsidiaries are set out in note 24 to the consolidated financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activity for the year ended 31 December 2009 is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 32.

The Directors do not recommend the payment of a final dividend for the year. No interim dividend was declared for the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years ended 31 December 2009, as extracted from the audited consolidated financial statements, is set out on page 80.

EQUIPMENT

Details of movements in equipment of the Group and the Company during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 35 and note 21 to the consolidated financial statements respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 24 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:
Mr. Lau Yu Fung, Wilson *(appointed on 2 October 2009)*
Mr. Chan Chun Wai *(appointed on 2 October 2009)*
Mr. Au Tin Fung *(appointed on 2 October 2009 as an Independent Non-Executive Director and re-designated as an Executive Director on 23 October 2009)*
Mr. John Zwaanstra *(resigned on 23 October 2009)*
Mr. John Pridjian *(resigned on 23 October 2009)*
Mr. Todd David Zwaanstra *(resigned on 23 October 2009)*
Mr. Jonathon Jarrod Lawless *(resigned on 23 October 2009)*

Non-Executive Director:
Mr. Tang Yu Ming, Nelson *(Chairman)* *(appointed on 2 October 2009)*

Independent Non-Executive Directors:
Mr. Chan Chi Yuen *(appointed on 2 October 2009)*
Mr. Yu Kam Kee, Lawrence *(appointed on 2 October 2009 and resigned on 2 December 2009)*
Mr. So Yuen Chun *(appointed on 15 January 2010)*
Mr. Ng Cheuk Fan, Keith *(appointed on 15 January 2010)*
Mr. Alan Howard Smith, *J.P.* *(resigned on 23 October 2009)*
Mr. King Chang-Min, Stephen *(resigned on 23 October 2009)*
Mr. Patrick Smulders *(resigned on 23 October 2009)*

In accordance with Article 110 of the Company's Articles of Association, Messrs. Tang Yu Ming, Nelson, Lau Yu Fung, Wilson, Chan Chun Wai, Au Tin Fung, Chan Chi Yuen. So Yuen Chun and Ng Cheuk Fan, Keith, who have been appointed by the Board, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang Yu Ming, Nelson, aged 39, was appointed the Chairman and the Non-Executive Director of the Company on 2 October 2009. Mr. Tang is the Managing Director of Shikumen Capital Management Limited and is responsible for its investment activity, operations and business development.

Prior to co-founding Shikumen Capital Management Limited, during the period from 1992 to 2007, Mr. Tang spent 15 years in financial asset management industry. He graduated from Wharton School, University of Pennsylvania with a Bachelor of Science and Economics degree majoring in finance and accounting in 1992.

Mr. Chan Chun Wai, aged 40, was appointed an Executive Director of the Company on 2 October 2009. He graduated from the University of Central Oklahoma with a Bachelor degree in Computer Sciences and Mathematics. He has over 18 years of experience in the field of information technology in Hong Kong and the United States of America.

Mr. Lau Yu Fung, Wilson, aged 45, was appointed an Executive Director of the Company on 2 October 2009. Mr. Lau graduated from the University of Adelaide with Bachelor of Laws and South Australian Institute of Technology with Graduate Diploma in Legal Practice. He has 20 years of experience in legal and commercial practice in Australia and Hong Kong. Mr. Lau is a partner of Lau Kwong & Hung, a legal firm of Hong Kong.

Mr. Au Tin Fung, aged 51, was appointed as an Independent Non-Executive Director of the Company on 2 October 2009 and re-designated as an Executive Director of the Company on 23 October 2009. Mr. Au graduated from the business management department of the Hong Kong Baptist University and holds a Master Degree in Business Administration from the Upper Iowa University, the United States of America. He has worked for Wong's Kong King International (Holdings) Limited as the corporate assistant general manager and the director general of Shenzhen Dengcheng Realties Development Company Limited.

DIRECTORS' REPORT

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Mr. Chan Chi Yuen, aged 43, was appointed as an Independent Non-Executive Director of the Company on 2 October 2009. He holds a Bachelor Degree with honors in Business Administration and a Master of Science Degree in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. So Yuen Chun, aged 37, was appointed as an Independent Non-Executive Director of the Company on 15 January 2010. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. So possesses more than 14 years of experience in the fields of auditing, accounting and finance.

Mr. Ng Cheuk Fan, Keith, aged 48, was appointed as an Independent Non-Executive Director of the Company on 15 January 2010. He is a member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Ng graduated from the University of Alberta, Canada, with a Bachelor's degree in Commerce, majoring in Accounting. He also obtained a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng has over 20 years of accounting and management experience.

Ms. Chow Man Ngan, aged 34, joined the Group as Company Secretary in October 2009. She is a member of The Hong Kong Institute of Chartered Secretaries and has over 10 years experience in corporate strategic planning, secretarial services as well as compliance aspect. She is responsible for overseeing all corporate secretarial matters in the Group.

DIRECTORS' REPORT

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

As at 31 December 2009, the interests and short positions of each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):–

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

	Number of ordinary shares				
Name of Director	**Personal Interest**	**Family Interest**	**Corporate Interest**	**Other Interest**	**Total Interest**
Mr. Tang Yu Ming Nelson *(Note 2)*	–	–	908,250,000	–	908,250,000

Note:

1. With effect from 11 February 2010, each of the issued and unissued shares of the Company of HK$1.00 each was subdivided into 10 shares of HK$0.10 each.

2. Mr. Tang, the Chairman and Non-Executive Director, is deemed to be interested in 908,250,000 shares of the Company by virtue of his 100% beneficial holding in Hyde Park Group Limited ("Hyde Park"). Hyde Park's interest in 908,250,000 shares comprised of (i) it's beneficial interest in 5,750,000 shares; and (ii) it's deemed interest in 902,500,000 shares through its wholly-owned subsidiary, Island New Finance Limited.

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company or any its subsidiaries, its associates, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

1. Aggregate long position in the shares and underlying shares of the Company

As at 31 December 2009, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the issued share capital of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	*Note*	**Number of shares held**	**Approximately percentage of the issued share capital of the Company**
Mr. Tang Yu Ming, Nelson	*(2)*	908,250,000	40.37
Hyde Park Group Limited	*(2)*	908,250,000	40.37
Island New Finance Limited	*(2)*	902,500,000	40.11
Mr. Ni Rong Kun		218,500,000	9.71
Ms. Liang Gui Lian	*(3)*	218,500,000	9.71
Best Leader Investment Limited	*(3)*	218,500,000	9.71
Express Advantage Limited	*(3)*	218,500,000	9.71

Notes:

(1) With effect from 11 February 2010, each of the issued and unissued shares of the Company of HK$1.00 each was subdivided into 10 shares of HK$0.10 each.

(2) Mr. Tang, the Chairman and Non-Executive Director, is deemed to be interested in 908,250,000 shares of the Company by virtue of his 100% beneficial holding in Hyde Park Group Limited ("Hyde Park"). Hyde Park's interest in 908,250,000 shares comprised of (i) it's beneficial interest in 5,750,000 shares; and (ii) it's deemed interest in 902,500,000 shares through its wholly-owned subsidiary, Island New Finance Limited. These interests are the same as those disclosed under "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures of the Company and any associates" above.

(3) By virtue of the SFO, Ms. Liang Gui Lian, is deemed to be interested in 218,500,000 shares beneficially held by Express Advantage Limited ("EAL"). Best Leader Investment Limited ("Best Leader"), being the holding company of EAL, is also deemed to be interested in 218,500,000 shares beneficially owned by EAL. Ms. Liang has a controlling interest in each of EAL and Best Leader.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2009, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31 December 2009, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors of the Company was considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 9 and 10 to the consolidated financial statements respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2009, the Group's revenue attributed to the five largest customers accounted for less than 30% of the Group's total revenue. The Group had no major suppliers due to the nature of principal activities of the Group.

DIRECTORS' REPORT

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the consolidated statement of comprehensive income for the year are set out in note 28 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$2,240,000.

SUFFICIENCY OF PUBLIC FLOAT

Upon closure of the mandatory unconditional cash offer for all issued share capital of the Company which took place in October 2009, Hyde Park Group Limited (the "Offeror") and the parties acting in concert with it was interested in an approximately 75.26% of the entire issued share capital of the Company and an approximately 24.74% of the entire issued share capital of the Company was in the hands of the public. As such, the Company has made an application to the Stock Exchange for a waiver from the strict compliance of Rule 8.08 of the Listing Rules, and each of the Company and the Offeror has undertaken to the Stock Exchange that it shall use all reasonable endeavor to take appropriate steps to ensure restoration of the minimum percentage of shares of the Company to public hands within one month from the date thereon.

On 4 November 2009, the Company was informed by the Offeror that it has entered into a placing agreement with Sun Hung Kai Investment Services Limited (the "Placing Agent"), pursuant to which, 56,500,000 shares of the Company owned by Island New Finance Limited would be placed at a placing price of HK$1.83 per placing share by the Placing Agent on a best effort basis, subject to the terms and conditions therein. As further informed by the Offeror on 6 November 2009, it has placed down 56,500,000 shares (representing approximately 25.12% of the issued share capital of the Company at the time) to independent placees and the said placing was completed on 10 November 2009. Thereafter, a total of 112,175,000 shares (representing an approximately 49.86% of the issued share capital of the Company at that time) are held by public shareholders. Accordingly, the minimum public float of 25% as prescribed under the Listing Rules has been restored.

Save as disclosed and based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 31 December 2009 and the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 30 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Au Tin Fung
Director

Hong Kong, 26 March 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TO THE MEMBERS OF THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 79 which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Revenue	5	**3,845**	7,553
Interest income		**3,815**	7,129
Fair value changes on financial assets at fair value through profit or loss			
– designated at fair value through profit or loss		**12,614**	–
– held for trading		**(2,682)**	(2,106)
Realised gain on available-for-sale investments		**1,574**	22
Dividend income		**30**	424
Other income		**98**	73
Operating expenses		**(11,920)**	(6,589)
Net exchange loss		**(106)**	(333)
Profit (Loss) before taxation	7	**3,423**	(1,380)
Taxation	8	**(39)**	(85)
Profit (Loss) for the year		**3,384**	(1,465)
Other comprehensive income (expense)			
Fair value change on available-for-sale investments		**699**	807
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments		**(1,574)**	(22)
Other comprehensive (expense) income for the year		**(875)**	785
Total comprehensive income (expense) for the year		**2,509**	(680)
Profit (loss) for the year attributable to the owners of the Company		**3,384**	(1,465)
Total comprehensive income (expense) attributable to the owners of the Company		**2,509**	(680)
		HK cents	*HK cents*
Earnings/(Loss) per share			
Basic	12	**0.15**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment	13	**184**	114
Mortgage loans	14	**68,268**	7,863
Available-for-sale investments	17	**–**	39,179
		68,452	47,156
CURRENT ASSETS			
Mortgage loans	14	**1,562**	2,145
Financial assets at fair value through profit or loss	16	**109,941**	40,256
Loan receivable	18	**10,000**	–
Prepayments and other receivables		**19,350**	18,300
Tax recoverable		**127**	–
Bank balances	19	**23,004**	122,507
		163,984	183,208
CURRENT LIABILITIES			
Other payables and accruals		**1,347**	1,699
Tax payable		**–**	85
		1,347	1,784
NET CURRENT ASSETS		**162,637**	181,424
		231,089	228,580
CAPITAL AND RESERVES			
Share capital	20	**225,000**	225,000
Reserves		**6,089**	3,580
		231,089	228,580

The consolidated financial statements on pages 32 to 79 were approved and authorised for issue by the Board of Directors on and are signed on its behalf by:

Chan Chun Wai
Director

Au Tin Fung
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Equipment	13	**183**	110
Mortgage loans	14	**84**	148
Available-for-sale investments	17	**–**	39,179
Amount due from subsidiaries	25	**65,000**	–
Investments in subsidiaries	24	**152**	152
		65,419	39,589
CURRENT ASSETS			
Mortgage loans	14	**59**	57
Financial assets at fair value through profit or loss	16	**45,520**	40,256
Amounts due from subsidiaries	25	**77,910**	12,015
Loan receivable	18	**10,000**	–
Prepayments and other receivables		**18,739**	18,234
Bank balances	19	**20,574**	119,908
		172,802	190,470
CURRENT LIABILITIES			
Other payables and accruals		**1,289**	1,673
NET CURRENT ASSETS		**171,513**	188,797
		236,932	228,386
CAPITAL AND RESERVES			
Share capital	20	**225,000**	225,000
Reserves	21	**11,932**	3,386
		236,932	228,386

Chan Chun Wai
Director

Au Tin Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company			
	Share capital *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2008	225,000	90	4,170	229,260
Loss for the year	–	–	(1,465)	(1,465)
Other comprehensive income for the year	–	785	–	785
Total comprehensive income (expense) for the year	–	785	(1,465)	(680)
At 1 January 2009	**225,000**	**875**	**2,705**	**228,580**
Profit for the year	**–**	**–**	**3,384**	**3,384**
Other comprehensive expense for the year	**–**	**(875)**	**–**	**(875)**
Total comprehensive (expense) income for the year	**–**	**(875)**	**3,384**	**2,509**
At 31 December 2009	**225,000**	**–**	**6,089**	**231,089**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (Loss) before taxation	**3,423**	(1,380)
Adjustments for:		
Dividend income	**(30)**	(424)
Depreciation	**52**	47
(Write back) charge of impairment allowances on mortgage loans	**(52)**	24
Realised gain on available-for-sale investments	**(1,574)**	(22)
Unrealised exchange loss of financial assets	**–**	333
Operating cash flows before movements in working capital	**1,819**	(1,422)
Increase in mortgage loans	**(59,770)**	(2,704)
Increase in financial assets at fair value through profit or loss	**(69,685)**	(32,464)
Increase in loan receivable	**(10,000)**	–
Increase in prepayments and other receivables	**(1,050)**	(14,614)
Decrease in other payables and accruals	**(352)**	(75)
	(139,038)	(51,279)
Dividend received	**30**	424
Income tax paid	**(251)**	–
NET CASH FLOW USED IN OPERATING ACTIVITIES	**(139,259)**	(50,855)
CASH GENERATED FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	**(122)**	(18)
Principal repayment of available-for-sale investments	**6,423**	4,185
Net sale proceeds from disposal of available-for-sale investments	**33,455**	–
NET CASH FLOW FROM INVESTING ACTIVITIES	**39,756**	4,167
DECREASE IN CASH AND CASH EQUIVALENTS	**(99,503)**	(46,688)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**122,507**	169,198
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	**–**	(3)
CASH AND CASH EQUIVALENTS AT 31 December		
represented by		
Bank balances	**23,004**	122,507

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

The Company is a limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Rm. 3501, 35th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong. The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company. The principal activities of the Company and its subsidiaries are investment holding, treasury investments and the provision of loan financing and other related services.

In the opinion of the Directors, the immediate holding company of the Company is Island New Finance Limited and the ultimate holding company of the Company is Hyde Park Group Limited, both of them are companies incorporated in the British Virgin Islands with limited liability.

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

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

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendment)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendment)	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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKAS 1 (Revised 2007) Presentation of Financial Statements

The Group adopted HKAS 1 (revised 2007) which introduced a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements.

HKFRS 8 Operating Segments

The Group adopted HKFRS 8 which is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 *(see note 6)*.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

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

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument[5]

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

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 July 2010.

6 Effective for annual periods beginning on or after 1 January 2011.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the date of acquisition.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) interest income from a financial asset including financial assets at fair value through profit and loss and available-for-sale investments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable;

(ii) dealings in financial assets at fair value through profit or loss are recognised on a trade date basis when the relevant contract notes are exchanged; and

(iii) dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

The financial assets at FVTPL of the Group and the Company comprise financial assets held-for-trading and those designated as at FVTPL on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets at fair value through profit or loss (continued)

A financial asset is classified as held for trading if:

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

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

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group classified its investment in debt securities as available-for-sale financial assets.

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

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as mortgage loans, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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

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

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Other financial liabilities

Other financial liabilities, representing other payables, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Operating leases

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. KEY SOURCE OF ESTIMATION UNCERTAINTY *(continued)*

Taxation

At 31 December 2009, no deferred tax assets have been recognised in the Group's and the Company's statements of financial position in relation to unused tax losses due to unpredictability of future assessable profit streams. The estimated unused tax losses of the Group and the Company amounted to HK$56,812,000 and HK$50,597,000 (2008: HK$53,690,000 and HK$53,690,000) respectively. In cases where the actual future assessable profits generated are more than expected, deferred tax asset may arise, which would be recognised in the profit or loss for the period in which such a recognition takes place.

Impairment allowances on mortgage loans and loan receivable

The Group and the Company has established impairment allowances in respect of estimated incurred loss in mortgage loans and loan receivable. The allowances of mortgage loans, which are set out in note 15 to the financial statements, consist of individual impairment allowances and collective impairment allowances.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to recognise the impact of forced sale or quick liquidation.

In determining collective impairment allowances, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio adjusted for current conditions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As at 31 December 2009, the details of mortgage loans and loan receivable are disclosed in notes 14 and 18 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. KEY SOURCE OF ESTIMATION UNCERTAINTY *(continued)*

Fair value of illiquid financial instruments

There are no active markets for the following financial assets, namely, over-the-counter structured secured loan and convertible bond valued at approximately HK$26,000,000 and HK$19,500,000 respectively. Accordingly, their fair values are determined using valuation techniques. To the extent practical, management uses generally accepted pricing model based on discounted cash flow analysis and recent transaction price to determine their fair values. Changes in assumptions used in these models could affect the reported fair values of these financial instruments.

5. REVENUE

Revenue represents interest income from loan financing and interest income and dividend income from treasury investments.

An analysis of the revenue of the Group by principal activity is as follows:

	2009	2008
	HK$'000	*HK$'000*
Loan financing:		
Interest on mortgage loans	**1,579**	1,779
Interest on loan receivable	**115**	–
Treasury investments:		
Interest on bank deposits	**454**	3,111
Interest on available-for-sale investments	**1,422**	2,230
Interest on held-for-trading investments	**43**	9
Interest on financial assets designated at fair value through profit or loss	**202**	–
Dividend income from equity securities listed in Hong Kong	**30**	424
	3,845	7,553

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors, in order to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption HKFRS 8 changed the basis of measurement of segment profit or loss.

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

	2009		
	Loan financing *HK$'000*	**Treasury investments** *HK$'000*	**Total** *HK$'000*
Revenue	**1,694**	**2,151**	**3,845**
Segment profit	**1,665**	**13,263**	**14,928**
Central administration costs			**(11,505)**
Profit before taxation			**3,423**
Taxation			**(39)**
Profit for the year			**(3,384)**
Segment assets	**82,506**	**149,036**	**231,542**
Unallocated assets			**894**
Total assets			**232,436**
Other information:			
Interest income	**1,694**	**2,121**	**3,815**
Write back of impairment allowances on mortgage loans	**52**	**–**	**52**
Net exchange loss	**–**	**(106)**	**(106)**
Fair value changes on financial assets at fair value through profit or loss	**–**	**9,932**	**9,932**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION *(continued)*

	2008		
	Loan financing *HK$'000*	Treasury investments *HK$'000*	Total *HK$'000*
Revenue	1,779	5,774	7,553
Segment profit	1,361	3,356	4,717
Central administration costs			(6,097)
Loss before taxation			(1,380)
Taxation			(85)
Loss for the year			(1,465)
Segment assets	12,541	217,268	229,809
Unallocated assets			555
Total assets			230,364
Other information:			
Interest income	1,779	5,350	7,129
Impairment allowances on mortgage loans	(24)	–	(24)
Net exchange loss	–	(333)	(333)
Taxation	85	–	85
Fair value changes on financial assets at fair value through profit or loss	–	(2,106)	(2,106)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION *(continued)*

During the current and prior years, there were no inter-segment transactions.

Segment profit represents the pre-tax profit earned by each segment without allocation of central administration costs such as director's emoluments, staff salaries, operating lease rentals, legal and professional fees. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

Segment assets represents the assets allocated to reportable segments other than fixed assets, prepayments, tax recoverable and certain bank balances.

There is no segment liability as at 31 December 2009 and 2008.

The Group's operations are based in Hong Kong and the Group's revenue is derived from customers and counterparties located in Hong Kong.

7. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation has been arrived at after charging (crediting):

	2009	2008
	HK$'000	*HK$'000*
Employee benefits expense (including Directors' emoluments: *(note 9)*		
Wages, salaries and bonus	**4,603**	2,794
Retirement benefit costs *(note 28)*	**43**	34
	4,646	2,828
Depreciation	**52**	47
Auditor's remuneration	**380**	460
Operating lease payments	**922**	85
(Write back) charge of impairment allowances on mortgage loans	**(52)**	24
Legal and professional fees	**2,603**	1,365

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. TAXATION

	2009	2008
	HK$'000	*HK$'000*
Hong Kong		
– Current tax	**33**	85
– Underprovision in prior years	**6**	–
Charge for the year	**39**	85

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) before taxation	**3,423**	(1,380)
Tax at the domestic income tax rate of 16.5%	**565**	(228)
Tax effect of income not taxable for tax purpose	**(1,331)**	(1,310)
Tax effect of expenses not deductible for tax purpose	**284**	82
Utilisation of tax losses previously not recognised	**(510)**	–
Tax effect of tax loss not recognised	**1,025**	1,541
Underprovision in prior years	**6**	–
Tax charge for the year	**39**	85

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 13 (2008: 7) Directors were as follows:

2009	Mr. John Zwaanstra*	Mr. John Pridjian*#	Mr. Todd David Zwaanstra*	Mr. Jonathon Jarrod Lawless*	Mr. Alan Howard Smith, *J.P.****	Mr. Stephen King Chang-Min*##	Mr. Patrick Smulders*##	Mr. Tang Yu Ming, Nelson**	Mr. Au Tin Fung***	Mr. Chan Chun Wai**	Mr. Lau Yu Fung, Wilson**	Mr. Chan Chi Yuen**	Mr. Yu Kam Kee Lawrence**	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	–	–	–	119	11	–	–	49	33	212
Others emoluments														
Salaries and other benefits	–	–	–	–	–	–	–	–	100	129	129	–	–	358
Contribution to pension schemes	–	–	–	–	–	–	–	–	3	3	3	–	–	9
Total emolument	–	–	–	–	–	–	–	119	114	132	132	49	33	579
Payment paid to former director for loss of office	–	249	–	–	200	200	200	–	–	–	–	–	–	849
	–	249	–	–	200	200	200	119	114	132	132	49	33	1,428

2008	Mr. John Zwaanstra*	Mr. John Pridjian*#	Mr. Todd David Zwaanstra*	Mr. Jonathon Jarrod Lawless*	Mr. Alan Howard Smith, *J.P.****	Mr. Stephen King Chang-Min*##	Mr. Patrick Smulders*##	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees	–	–	–	–	100	100	100	300
Others emoluments								
Salaries and other benefits	–	–	–	–	–	–	–	–
Contribution to pension schemes	–	–	–	–	–	–	–	–
Total emolument	–	–	–	–	100	100	100	300
	–	–	–	–	100	100	100	300

There were no arrangements under which a Director waived or agreed to waive any emoluments.

* The Directors resigned during the year 2009.

** The Directors were appointed during the year 2009.

*** Mr. Au Tin Fung was appointed as Independent Non-Executive Director on 2 October 2009 and re-designated as Executive Director on 23 October 2009.

The Company paid HK$249,000 to Mr. John Pridjian for termination of his services with the Company.

In connection with the termination of office as Director, the Company paid HK$200,000 to each of the former independent non-executive Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2008: two) were Directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries, bonus, allowances and benefits in kind	**2,601**	2,401
Retirement benefit costs	**27**	33
	2,628	2,434

Their emoluments were within the following bands:

	2009	2008
	Number of employees	*Number of employees*
Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–

11. DIVIDENDS

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

12. EARNINGS (LOSS) PER SHARE – BASIC

Basic earnings (loss) per share is calculated based on the profit (loss) for the year attributable to owners of the Company of HK$3,384,000 (2008: Loss of HK1,465,000) and on 2,250,000,000 (2008: 2,250,000,000) ordinary shares in issue during the year after adjusting the effect of Share Subdivision as per note 30 to the consolidated financial statement herein.

No diluted earnings (loss) per share is presented as there were no potential ordinary shares in issue during both years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. EQUIPMENT

	The Group Furniture and equipment *HK$'000*
COST	
At 1 January 2008	173
Additions	18
At 31 December 2008 and 1 January 2009	191
Additions	**122**
At 31 December 2009	**313**
DEPRECIATION	
At 1 January 2008	30
Provided for the year	47
At 31 December 2008 and 1 January 2009	77
Provided for the year	**52**
At 31 December 2009	**129**
CARRYING AMOUNT	
At 31 December 2009	**184**
At 31 December 2008	114

Furniture and equipment are depreciated on a straight-line basis at 20% to $33^1/_3$% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. EQUIPMENT *(continued)*

	The Company Furniture and equipment *HK$'000*
COST	
At 1 January 2008	161
Additions	18
At 31 December 2008 and 1 January 2009	179
Additions	**122**
At 31 December 2009	**301**
DEPRECIATION	
At 1 January 2008	25
Provided for the year	44
At 31 December 2008 and 1 January 2009	69
Provided for the year	**49**
At 31 December 2009	**118**
CARRYING AMOUNT	
At 31 December 2009	**183**
At 31 December 2008	110

Furniture and equipment are depreciated on a straight-line basis at 20% to $33^1/_3$% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. MORTGAGE LOANS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**3,326**	7,057
Variable-rate loan receivables	**66,504**	2,951
	69,830	10,008
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the reporting date)	**1,562**	2,145
Non-current assets (receivable after 12 months from the reporting date)	**68,268**	7,863
	69,830	10,008

Included in the variable-rate loan receivables is a mortgage loan to a customer amounting to HK$65,000,000. The loan bears variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited. The loan matures in January 2011.

The credit quality of the loan is satisfactory as the market value of pledged properties at the end of the reporting period (net of mortgage with higher priority than the Group) is higher than the outstanding amount.

Fixed-rate loan receivables and other variable-rate loan receivables are secured by mortgage properties and bear interest at market interest rates.

Balance of mortgage loans at 31 December 2009 is net of accumulated impairment allowances of approximately HK$168,000 (2008: HK$220,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. MORTGAGE LOANS *(continued)*

The maturity profile of mortgage loans, net of impairment allowances, at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**757**	937
Between 3 months and 1 year	**805**	1,208
Between 1 and 5 years	**67,830**	5,998
After 5 years	**438**	1,865
	69,830	10,008

Before accepting any new customer, the Group uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have timely repayment of principal and interest.

The ageing of mortgage loans, net of impairment allowances, which are past due but not impaired, at the end of the reporting period is analysed as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**468**	563

The fair value of the Group's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates to the carrying amount of mortgage loans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. MORTGAGE LOANS *(continued)*

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Variable-rate loan receivables	**143**	205
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the end of reporting period)	**59**	57
Non-current assets (receivable after 12 months from the end of reporting period)	**84**	148
Variable-rate loan receivables	**143**	205

Variable-rate loan receivables are secured by mortgage properties and bear interest at market interest rates.

Balance of mortgage loans at 31 December 2009 is net of accumulated impairment allowances of HK$Nil (2008: HK$Nil).

The maturity profile of variable-rate mortgage loans, net of impairment allowances, at the reporting date is analysed by the remaining periods to their contractual maturity dates as follows:

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**11**	10
Between 3 months and 1 year	**48**	47
Between 1 and 5 years	**84**	148
	143	205

Before accepting any new customer, the Company uses internal assessment system to assess the potential customer's credit quality and defines credit limits by customer. The mortgage loans that are neither past due nor impaired have timely repayment of principal and interest.

There are no past due but not impaired mortgage loans at the end of the reporting period.

The fair value of the Company's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the reporting date, approximates the carrying amount of the mortgage loans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. IMPAIRMENT ALLOWANCES ON MORTGAGE LOANS

	The Group		
	Impairment allowances		
	Individual	Collective	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	–	196	196
Charge during the year	–	24	24
At 31 December 2008 and 1 January 2009	–	220	220
Write back during the year	**–**	**(52)**	**(52)**
At 31 December 2009	**–**	**168**	**168**

	The Company		
	Impairment allowances		
	Individual	Collective	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	–	40	40
Written back during the year	–	(40)	(40)
At 31 December 2008 and 1 January 2009	–	–	–
Written back during the year	**–**	**–**	**–**
At 31 December 2009	**–**	**–**	**–**

Individual impairment is made when the mortgage loan borrower is unable to repay the principal on time and the present value of the collateral held by the Group and the Company is not sufficient to cover the carrying amount of the loan.

In addition to conducting individual assessment of impairment, the Group and the Company have also carried out collective assessment. Mortgage loan impairment allowances were made on a collective basis with reference to historical loss experience.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. FINANCIAL ASSETS AT THE FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**64,421**	3,859
Convertible bonds	**19,520**	36,397
	83,941	40,256
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	**26,000**	–
	109,941	40,256

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Held-for-trading investments:		
Equity securities listed in Hong Kong	**–**	3,859
Convertible bonds	**19,520**	36,397
	19,520	40,256
Designated at fair value through profit or loss:		
Structured secured loan to a listed company in Hong Kong	**26,000**	–
	45,520	40,256

The fair value of the listed equity securities was determined based on the quoted market bid prices available on the Hong Kong Stock Exchange.

In October 2009, the Company purchased a convertible zero coupon bond issued by a company listed on the Hong Kong Stock Exchange (the "issuer") with a principal amount US$10 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. FINANCIAL ASSETS AT THE FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The convertible bond is unlisted and was convertible at the option of the bondholder(s), at any time up to and including 4 February 2011, into existing shares of a subsidiary of the issuer.

The directors are of the view that the fair value as at 31 December 2009 approximate to the cost of the convertible bond since it is considered as a recent transaction. The cost also approximates the bid indicative price as at 31 December 2009 provided by a financial institution.

Subsequent to the reporting date, half of the investment in the convertible bond has been disposed of at a consideration of HK$11,661,000.

During the year, the Company purchased a structured secured loan issued by a listed company in Hong Kong from a secondary market prior to its Initial Public Offering in the Stock Exchange of Hong Kong. The structured secured loan entitled the Company to a guaranteed interest return on the principal if the Initial Public Offering was successful and a put option to request the issuer to redeem the loan at a fixed amount, if the Initial Public Offering was not successful. The final maturity date of the loan is 31 October 2010. The structured secured loan is denominated in USD and carries interest rate above the LIBOR rate.

Upon the successful Initial Public Offering of the issuer of the structured secured loan, the Company received the guaranteed interest return and the put option expired. As at 31 December 2009, only the loan principal component remained outstanding. The fair value of the loan which approximate to its principal amount, is based on valuation techniques using inputs derived mainly from observable market data.

Subsequent to the reporting date, the outstanding Structured Secured Loan was fully settled.

As at 31 December 2008, the Company held convertible bonds with zero coupon, or with coupon rates ranging from 1% to 2%. The equity conversion options attached to the convertible bonds were embedded derivatives granting the right to the Company to convert the debt securities into equity shares of the issuer before maturity. The fair value of the convertible bonds was determined based on the market prices obtained from brokers and with reference to those of price servicing agencies. The carrying amount of the convertible bonds at 31 December 2008, amounting to HK$5,371,000, HK$16,144,000 and HK$9,001,000 were denominated in United State Dollars ("USD"), Singapore Dollars ("SGD") and Chinese Renminbi Yuan ("RMB"), respectively. These investments were all disposed of during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include:

	The Group and the Company	
	2009	2008
	HK$'000	*HK$'000*
Mortgage-backed securities quoted in the United States of America	–	39,179

As at 31 December 2008, the available-for-sale investments are denominated in USD. The underlying assets of the securities are pooled residential mortgages located in the United States of America. The fair value of the above available-for-sale investments is based on the market prices obtained from brokers and with reference to those of price servicing agencies. The contractual interest rate of the available-for-sale investments was 5.5% per annum and with a maturity date of February 2035. The available-for-sale investments were disposed of during the year.

18. LOAN RECEIVABLE

Amount represent a bridging loan denominated in HKD which is unsecured, carries fixed interest rate of 8% and is repayable on demand. The loan was fully repaid after the reporting date.

19. BANK BALANCES

The amounts comprise bank balances held by the Group and the Company and short-term bank deposits at market interest rates with an original maturity of three months or less. The fair value of these assets approximates the corresponding carrying amount. The carrying amount of bank balances at 31 December, 2009, amounting to HK$2,190,000 (2008: HK$17,545,000), are denominated in USD.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

20. SHARE CAPITAL OF THE COMPANY

	2009 & 2008
	HK$'000
Authorised:	
300,000,000 ordinary shares of HK$1.00 each	300,000
Issued and fully paid:	
225,000,000 ordinary shares of HK$1.00 each	225,000

21. RESERVES

	The Company		
	Investment revaluation reserve	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	90	5,160	5,250
Loss for the year	–	(2,649)	(2,649)
Fair value changes of available-for-sale investments directly recognised in equity	807	–	807
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	(22)	–	(22)
At 31 December 2008 and 1 January 2009	875	2,511	3,386
Profit for the year	**–**	**9,421**	**9,421**
Fair value changes of available-for-sale investments directly recognised in equity	**699**	**–**	**699**
Reclassification adjustment to profit or loss upon disposal of available-for-sale investments	**(1,574)**	**–**	**(1,574)**
At 31 December 2009	**–**	**11,932**	**11,932**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

22. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and retained profits. The management reviews the capital structure by considering the cost of capital. In view of this, the Group manages its overall capital structure through monitoring the cash level, payment of dividends and issuance of share capital if the need arise.

23. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**–**	39,179
Fair value through profit or loss	**109,941**	40,256
Loans and receivables (including cash and cash equivalents)	**121,958**	150,506

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Financial liabilities		
Amortised cost	**1,281**	1,681

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(A) Categories of financial instruments *(continued)*

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**–**	39,179
Fair value through profit or loss	**45,520**	40,256
Loans and receivables (including cash and cash equivalents)	**192,141**	150,054
Financial liabilities		
Amortised cost	**1,240**	1,673

(B) Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. These risks include market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose them primarily to the financial risks of change in foreign currency exchange rates, interest rates and prices of held-for-trading equity investments and available-for-sale equity investments.

Foreign currency risk management

The Group and the Company have foreign currency denominated bank balances, available-for-sale investments, financial assets at FVTPL and other receivables, which expose the Group and the Company to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets at the reporting date are as follows:

	The Group and the Company	
	2009	2008
	HK$'000	*HK$'000*
USD	**47,822**	62,595
SGD	**–**	16,144
RMB	**–**	9,001

Sensitivity analysis

The Group and the Company are mainly exposed to the effects of fluctuation in USD, SGD and RMB.

The following table details the Group's and the Company's sensitivity to a 5% (2008: 5%) increase/decrease in the HKD against SGD and RMB and 1% (2008: 1%) increase/decrease in HKD against USD. A sensitivity rate of 1% for USD is used due to the fact that the HKD is pegged with the USD under the linked exchange rate system in Hong Kong. 5% and 1% are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes outstanding foreign currency denominated monetary assets. A positive number below indicates an increase in profit before tax (2008: decrease in loss before tax) where the HKD weakens 5% (2008: 5%) against SGD and RMB and 1% (2008: 1%) against the USD. For a 5% (2008: 5%) strengthening of the HKD against the SGD and RMB and a 1% (2008: 1%) strengthening of the HKD against the USD, there would be an equal and opposite impact on the profit or loss before tax, and the balance below would be negative.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

	The Group and the Company	
	2009	2008
Sensitivity rate		
USD	**1%**	1%
SGD	**5%**	5%
RMB	**5%**	5%

	2009	2008
	HK$'000	*HK$'000*
Impact on profit/loss before tax		
USD	**478**	626
SGD	**–**	807
RMB	**–**	450

The Group's sensitivity to foreign exchange rate is mainly attributable to the exposure outstanding on the bank balances, available-for-sale investments, convertible bonds, structured secured loan and interest receivables denominated in USD as at 31 December 2009 and 2008 and exposure outstanding on convertible bonds denominated in SGD and RMB at 31 December 2008.

The Group's and the Company's sensitivity to foreign currencies have decreased during the current year mainly due to the net disposal of convertible bonds and the available-for-sale investments denominated in USD, SGD and RMB.

Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group currently has no hedging approach to the fair value interest rate risk on the convertible bond and structured secured loan. The Group's and the Company's exposure to fair value interest rate risk is mainly caused by the fair value change of the structured secured loan and convertible bonds due to change in market interest rate. The Group's and the Company's exposure to cash flow interest rate risk is mainly caused by the variable-rate mortgage loans. Interest income will fluctuate because of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. The analysis is prepared assuming the amount of structured secured loan, and variable-rate mortgage loans at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease in the Hong Kong lending rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For fair value interest rate risk, if interest rates had been 100 (2008: 200) basis points higher/lower and all other variables were held constant, the Group's and the Company's profit before tax for the year ended 31 December 2009 would decrease/increase by HK$26,000/HK$27,000 (2008: nil) for the Group and the Company. This is mainly attributable to the Group's exposure to interest rates on its structured secured loan.

For cashflow interest rate risk, if interest rates had been 100 (2008: 200) basis points higher/lower and all other variables were held constant, the Group's and the Company's profit before tax for the year ended 31 December 2009 would increase/decrease by HK$665,000 (2008: loss before tax decrease/increase by HK$59,000) for the Group, and increase/decrease by HK$1,000 (2008: loss before tax decrease/increase by HK$4,000) for the Company. This is mainly attributable to the Group's exposure to interest rates on its variable-rate mortgage loans.

The Group's sensitivity to interest rates have increased during the current year mainly due to the increase in variable rate mortgage loans as the interest income is sensitive to market interest rate.

Price risks

The Group and the Company are exposed to price risk through its investments in listed equity securities and convertible bonds. As at 31 December 2008, the Group has invested in mortgage-backed securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. In addition, the price risk was monitored by the management of the Group and the Company and will consider hedging the risk exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

Sensitivity analysis

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

If market prices of listed equity securities had been 20% (2008: 20% for listed equity securities and convertible bonds) higher/lower, profit before tax for the year ended 31 December 2009 would increase/decrease by HK$12,884,000 (2008: loss before tax decrease/increase by HK$8,051,000). This is mainly due to the changes in fair value of listed equity securities. No sensitivity analysis has been performed for the convertible bond as at 31 December, 2009 as the bond are illiquid and it is not possible to quantity the impact.

If market price of mortgage-backed securities had been 10% (2008: 10%) higher/lower, investment revaluation reserve would increase/decrease by HK$nil (2008: HK$3,918,000) as a result of the change in fair value of available-for-sale investments.

The Group's and the Company's sensitivity to prices have increased during the current year mainly due to the purchase of the listed equity securities.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties, failure to perform their obligations in relation to each class of recognised financial assets are the carrying amount of those assets as stated in the consolidated statement of financial position and statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In addition, the Group and the Company review the recoverable amount of each individual mortgage loan and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are banks located in Hong Kong subject to the supervision by the Hong Kong Monetary Authority.

As at 31 December 2009, except for a loan of HK$65,000,000 to a particular borrower, the Group has no other significant concentration of credit risk, with exposures spread over a number of counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

Credit risk (continued)

For the investment in a structured secured loan to a listed company in Hong Kong *(note 16)* as at 31 December 2009, the Group and the Company also had concentration of credit risk in a single geographical location in the People's Republic of China. The credit rating of the structured loan is non investment credit rating as at 31 December 2009. The directors have closely monitored the risk exposure to be maintained at a level that the Group can bear. The structured secured loan was fully settled subsequent to the year end.

For the investment in a convertible bond *(note 16)* as at 31 December 2009, the Group and the Company also both had concentration of credit risk in a single investment. The credit quality of the convertible bond is mainly determined by the credit quality of the issuer, which is a listed company in The Stock Exchange of Hong Kong Limited. The directors have closely monitored the risk exposure of the convertible bond and would take appropriate action to ensure the risk exposure is acceptable. The directors are of the view that the expected future cash flow of the convertible bond is sufficient to cover the carrying amount of the convertible bond as at 31 December 2009.

For the investments in convertibles bonds *(note 16)* as at 31 December 2008, the Group and the Company has no significant concentration of credit risk as the exposure was spread over several investee companies located in People's Republic of China, Hong Kong, Singapore and United States of America. These convertible bonds are unrated by rating agencies

For the investments in mortgage-backed securities *(note 17)* as at 31 December 2008, the Group and the Company had both concentration of credit risk in single investment and geographical location in the United States of America. The credit quality of mortgage-backed securities is mainly determined by the credit quality of its underlying borrowers and residential mortgages collateral. The current weighted average credit score of the mortgage borrowers is considered as good according to Fair Issac Corporation Inc. ("FICO") scoring method as at 31 December 2008.

As at 31 December 2008, the Group and the Company had no other significant concentration of credit risk, with exposures spread over a number of counterparties.

In this regard, the Directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

Liquidity risk

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

No analysis of maturity profile on financial liabilities is prepared as, in the opinion of directors, the Group and the Company's financial liabilities are repayable on demand by virtue of their nature.

Fair value of financial instruments

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

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

	The Group			
	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Equity securities listed in Hong Kong	**64,421**	**–**	**–**	**64,421**
Convertible bonds	**–**	**19,520**	**–**	**19,520**
Structured secured loan to a listed company in Hong Kong	**–**	**26,000**	**–**	**26,000**
Total	**64,421**	**45,520**	**–**	**109,941**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk management objectives and policies *(continued)*

Fair value of financial instruments (continued)

	The Company			
	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Convertible bond	–	**19,520**	–	**19,520**
Structured secured loan to a listed company in Hong Kong	–	**26,000**	–	**26,000**
Total	–	**45,520**	–	**45,520**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

24. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**152**	152

Particulars of subsidiaries at 31 December 2009 and 2008 are as follows:

Name of Company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company	Principal activities
The Building and Loan Agency (Asia) Limited	Hong Kong	HK$2	100%	Money lending
Winbest Holdings Limited	British Virgin Islands	US$1	100%	Dormant
Alpha Gain Limited	Hong Kong	HK$2	100%	Dormant
Palmy Right Limited	British Virgin Islands	US$1	100%	Securities investment
Tack On Limited	British Virgin Islands	US$1	100%	Dormant

None of the subsidiaries had any debt securities at 31 December 2009 (2008: Nil) or at any time during the year.

25. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**150,804**	19,901
Allowance for impairment loss	**(7,894)**	(7,886)
	142,910	12,015

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

25. AMOUNTS DUE FROM SUBSIDIARIES *(continued)*

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount analysed for reporting purpose:		
Current assets (receivable with 12 months from the reporting date)	**77,910**	12,015
Non-current assets (receivable after 12 months from the reporting date)	**65,000**	–
	142,910	12,015

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Subsequent to 31 December 2009, the Company entered into an agreement with one of its subsidiary to charge an interest of 11.25% per annum on the outstanding amount due from that subsidiary of HK$65,000,000 with effective from 1 January 2010.

Movement in the allowance for impairment loss

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of year	**7,886**	7,881
Charge during the year	**8**	5
Balance at end of year	**7,894**	7,886

The amounts due from subsidiaries are impaired due to the present value of discounted cash flows being lesser than its carrying amounts.

The amounts due from subsidiaries which are neither past due nor impaired have the repayment ability to settle the outstanding amounts. The Company does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$56,812,000 (2008: HK$53,690,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the unused tax losses as it is uncertain that there will be sufficient future profits available to utilise the balances, and the unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of HK$50,597,000 (2008: HK$53,690,000) available for offset against future profits.

No deferred tax asset has been recognised in respect of the unused tax losses as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

27. OPERATING LEASES

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments of HK$664,000 and HK$628,000 respectively (2008: HK$Nil) under non-cancellable operating leases for premises which fall due within one year.

Operating leases payments represent rentals payable by the Group and the Company for certain of its office properties. Leases are negotiated for an average term of one year and rentals are fixed for the respective lease term.

28. RETIREMENT BENEFIT SCHEME

The Group and the Company participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group and the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Group and the Company contribute 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost charged to the profit or loss of HK$43,000 (2008: HK$34,000) represents contributions payable to the scheme by the Group in respect of the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

29. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(A) Expense items:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Services fee paid to a company with common key management personnel	**532**	–

(B) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in note 9. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2009, the Group had the following material events:

(a) Pursuant to an extraordinary general meeting of the Company held on 10 February 2010 (the "EGM"), each of the issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 10 shares (the "Share Subdivision") of HK$0.10 each (the "Subdivided Shares").

(b) Upon the Share Subdivision, the authorised share capital of the Company was increased from HK$300,000,000 to HK$500,000,000 by the creation of an additional 2,000,000,000 shares of HK$0.10 each at the same EGM. The new shares shall rank *pari passu* in all respects with the existing issued shares of the Company.

(c) Pursuant to the announcement dated 24 March 2010, the Company intends to raise HK$56.25 million (before expenses and exercise of the option) by way of an open offer of 562,500,000 offer shares at the subscription price of HK$0.1 per share, payable in full upon application, on the basis of one offer share for every four shares, with a further option to subscribe for convertible bonds convertible to the Company's shares at HK$0.1 per share. Assuming full exercise of the option, an additional HK$45 million (before expenses) will be raised.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2009, as extracted from the audited consolidated financial statements, is as set out below.

RESULTS

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**3,845**	7,553	11,556	12,939	6,293
Profit (Loss) for the year attributable to equity holders of the Company	**3,384**	(1,465)	(2,711)	11,271	1,235
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings (loss) per share (restated)	**0.15**	(0.07)	(0.12)	0.5	0.05

ASSETS AND LIABILITIES

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**232,436**	230,364	231,033	232,758	221,444
Total liabilities	**(1,347)**	(1,784)	(1,773)	(877)	(834)
Net assets	**231,089**	228,580	229,260	231,881	220,610