COL Capital Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 383

Annual Report 2009

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. Chong Sok Un	*(Chairman)*
Dato' Wong Peng Chong	*(Executive Director)*
Mr. Kong Muk Yin	*(Executive Director)*
Mr. Lo Wai On	*(Independent Non-executive Director)*
Mr. Lau Siu Ki	*(Independent Non-executive Director)*
Mr. Zhang Jian	*(Independent Non-executive Director)*

SECRETARY

Ms. Fung Ching Man, Ada

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

47/F., China Online Centre
333 Lockhart Road
Wanchai
Hong Kong

WEBSITE

http://www.colcapital.com.hk

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
Societe Generale Bank & Trust

ADR DEPOSITARY BANK

The Bank of New York
American Depositary Receipts
620 Avenue of the Americas, 6/F
New York, NY 10011
USA

SOLICITORS

P.C. Woo & Co.
Fred Kan & Co.
Robertsons

HONG KONG BRANCH SHARE REGISTRARS

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), I have the pleasure to present the financial results of COL Capital Limited, together with its subsidiaries, (the "Group") for the year ended 31 December 2009.

FINANCIAL RESULTS

For the year ended 31 December 2009, the Group recorded an increased total revenue of HK$1,115,002,000 (2008: HK$660,308,000) and a net profit attributable to shareholders of HK$1,025,401,000 (2008: loss of HK$2,799,811,000) due to the improved financial market condition. Earnings per share (Basic) of the Group for the year ended 31 December 2009 was HK$1.97 (2008: loss per share of HK$9.79).

As a result, the Group's net asset value per share as at 31 December 2009 increased to HK$3.56 (2008: HK$2.83).

DIVIDENDS

The Directors recommend the payment of a final dividend of HK$0.04 per share (2008: Nil), amounting to approximately HK$22,268,000 (2008: Nil), to shareholders whose names appear on the Register of Members of the Company on 2 June 2010.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company, dividend warrants are expected to be dispatched on or before 2 July 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 31 May 2010 to Wednesday, 2 June 2010, both days inclusive, during which no share transfer will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2009, all transfer of shares duly accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on Friday, 28 May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The unprecedented turmoil that plagued the global financial and economic environment for much of 2008 continued into the first quarter of 2009. The Group took positive steps to reduce its gearing, strengthen its capital base and reorganize its capital structure with long term funding in order to meet the challenges of a volatile operating condition and to enable the Group to take advantage of any improvement in investment sentiments as they occur. Apart from various disposals of some of its investment portfolio, the Group completed both its rights issue and placement of unsecured three-year convertible bonds in February 2009, raising a total of approximately HK$410 million and reducing its gearing from 100.9% in 2008 to 14.7% as at 31 December 2009.

CHAIRMAN'S STATEMENT

The concerted massive fiscal stimulus and bailout packages implemented globally which together with the aggressive monetary measures adopted, enabled significant improvements in the global financial and economic environment from the second quarter of 2009. The Group, with its strengthened financial situation, was able to take advantage of the more conducive investment environment to substantially increase its business and investment activities during the year under review and achieved satisfactory results.

For the year 2009, the Group's business in trading and investment in financial securities recorded an increased turnover of HK$1,079,219,000 (2008: HK$640,648,000) and a profit of HK$890,896,000 (2008: loss of HK$2,674,823,000), mainly due to gain from change in fair value of investments held for trading of HK$771,208,000 (2008: loss of HK$2,685,835,000) and net gain on disposal of available-for-sale investments of HK$119,344,000 (2008: HK$2,104,000) which included realized gains from the on-market disposals of 38 million shares of Sun Hung Kai & Co. Limited and 20.7 million shares of Tianjin Printronics Circuit Corporation. As at 31 December 2009, the Group maintained a portfolio of available-for-sale investments of HK$392,264,000 (2008: HK$480,890,000) and a trading portfolio of HK$1,525,691,000 (2008: HK$818,971,000).

In September 2009, the Group acquired from an independent third party 187,500,000 shares, representing approximately 68.72% of the issued share capital, of Greenfield Chemical Holdings Limited ("Greenfield"), a company listed on The Stock Exchange of Hong Kong Limited, at HK$1.50 per share for a total consideration of HK$281,250,000. The Group was required under the rules of the Hong Kong Code on Takeovers and Mergers to make a mandatory general cash offer ("General Offer") at a similar price per share for the remaining shares of Greenfield not already owned and as a result a further 13,510,000 shares of Greenfield were acquired under the General Offer. In November 2009 after the completion of the General Offer, the Group conducted a placing of 3,000,000 shares of Greenfield at HK$1.50 each to meet the required restoration of the minimum public float of shares of Greenfield and also conducted a further placing of 40,000,000 shares at HK$2.10 per share for reduction of short term borrowings and recorded a gain of HK$21,694,000. On 30 November 2009, the Group was approached by an independent third party to acquire from the Group 140,000,000 shares of Greenfield, representing approximately 51.31% of the issued share capital of Greenfield, at HK$2.10 per share for a total consideration of HK$294,000,000. The consideration represents a significant premium to our initial acquisition cost and the Group took this opportunity to realize such investment and recorded a gain of HK$76,595,000. The proceeds were used to reduce short term borrowings and for working capital of the Group. Given that the Group was still in the process of reviewing the business activities and assets of Greenfield at the time, the disposal provided a profitable exit for the Group at a substantial gain within a short time span.

The Group's money lending business recorded a turnover of mainly interest income of HK$32,425,000 (2008: HK$15,654,000) and a profit of HK$33,216,000 (2008: HK$13,626,000) during the year under review. As at 31 December 2009, the Group's loan portfolio amounted to HK$389,425,000 (2008: HK$164,875,000).

The Group's investment properties located in Hong Kong and China achieved a rental income of HK$3,358,000 (2008: HK$4,006,000) and a profit of HK$21,132,000 (2008: loss of HK$9,907,000), mainly attributed to gain from fair value changes on investment properties of HK$18,570,000 (2008: loss of HK$12,408,000) which included a realized gain of HK$4,900,000 (2008: Nil) on disposal of an investment property. As at 31 December 2009, the Group's investment properties portfolio amounted to HK$100,375,000 (2008: HK$103,105,000).

CHAIRMAN'S STATEMENT

PRINCIPAL ASSOCIATED COMPANIES

The share of profits of associates of the Group for the year ended 31 December 2009 was HK$3,365,000 (2008: HK$3,701,000).

In March 2009, the Group disposed of 197,858,680 shares of ChinaVision Media Group Limited *(formerly known as Shanghai Allied Cement Limited)*, a former associate of the Group, to an independent third party at a price of HK$0.70 per share for a total consideration of approximately HK$138 million, recording a gain on disposal of HK$10,756,000. Proceeds from this disposal have also been used to reduce the short term borrowings of the Group.

FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

As at 31 December 2009, the Group's non-current assets of HK$494,922,000 (2008: HK$601,531,000) consisted of investment properties of HK$100,375,000 (2008: HK$103,105,000); property, plant and equipment of HK$3,385,000 (2008: HK$3,036,000); prepaid lease payments of HK$52,000 (2008: HK$54,000), interests in associates of HK$5,368,000 (2008: HK$138,501,000) and available-for-sale investments of HK$385,742,000 (2008: HK$356,835,000). These non-current assets are principally financed by shareholders' fund. As at 31 December 2009, the Group had net current assets of HK$1,909,081,000 (2008: HK$178,810,000) and current ratio of 10.87 times (2008: 1.17 times), calculated on the basis of the Group's current assets over current liabilities.

During the year under review, the Group conducted a rights issue of 275,649,760 rights shares at HK$0.40 each on the basis of one rights share for every share held and the placing of HK$300 million 9% unsecured three-year convertible bonds with conversion price of HK$0.75 per share to raise a total of approximately HK$410 million, both of which were completed in February 2009. As at 31 December 2009, the outstanding principal value of the unsecured three-year convertible bonds was HK$236,000,000 following the partial redemption of HK$60,000,000 by the Group and the conversion of HK$4,000,000 by a bondholder during the year.

As at 31 December 2009, the total borrowings of the Group amounted to HK$419,661,000 (2008: HK$854,682,000) including current liabilities of other borrowings of HK$51,565,000 (2008: HK$854,682,000) and non-current liabilities of HK$368,096,000 (2008: Nil). As at 31 December 2009, the Group's gearing ratio, calculated on the basis of the Group's net borrowings (after pledged bank deposits, and balances and cash) over total equity, was 14.7% compared to 100.9% in 31 December 2008.

During 2009, the issued share capital of the Group increased from HK$2,756,225 to HK$5,566,987 as a result of the rights issue of 275,649,760 additional shares, the issue of 93,110 new shares following the exercise of warrants and the issue of 5,333,333 new shares following the conversion of HK$4,000,000 unsecured three-year convertible bonds.

CHAIRMAN'S STATEMENT

During the year under review, the Group's assets, liabilities and transactions were mainly denominated in Hong Kong Dollar, Australian Dollar, Taiwan Dollar, Renminbi and Malaysian Ringgit. Because of its short term nature, the Group did not actively hedge risks arising from the Australian Dollar, Renminbi and Malaysian Ringgit denominated assets and transactions. The exchange rate of the Taiwan Dollar was relatively stable during the year. The Group was not materially affected by its exposure to these currencies.

CHARGE ON GROUP ASSETS

As at 31 December 2009, the Group's investments held for trading of HK$962,510,000 (2008: HK$773,077,000), available-for-sale investments of HK$240,227,000 (2008: HK$108,323,000) and pledged bank deposits of HK$9,151,000 (2008: HK$1,167,000) were pledged to banks and securities brokers house to secure short term credit facilities granted to the Group.

EMPLOYEES

The Group had 16 employees as at 31 December 2009 (2008: 14). The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

PROSPECTS

The global investment situation saw significant improvements in 2009 and global investors were able to take advantage of the more conducive environment to achieve better financial results and earnings. However, the recovery in the financial and economic environment may be fragile as it was largely dependent on government stimulus and bailout packages and there is still uncertainty as to whether the recovery is sustainable. As such, the Group will remain cautious in its investment approach and strategy.

The Group has improved its financial strength and will continue to seek and identify grossly undervalued investment and business opportunities in China, Hong Kong and the Asia Pacific region cautiously to further enhance value for shareholders.

APPRECIATION

On behalf the Board, I would like to extend my whole-hearted thanks to our shareholders for their continued support and to our staff for their contribution to the Group during 2009.

Chong Sok Un
Chairman

Hong Kong, 13 April 2010

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chong Sok Un, aged 55, was appointed as executive director and chairman of the Company on 23 August 2002. Ms. Chong is also executive director and chairman of APAC Resources Limited. She has been chairman of Long Island Golf & Country Club, Dongguan, China since September 1998. She is now the Chairman of the 31st Term of the Board of Directors of Yan Oi Tong. During 1992 to 2000, she was appointed as director and chief executive officer of Shenyin Wanguo (H.K.) Limited. She was a non-executive director of ChinaVision Media Group Limited (formerly known as Shanghai Allied Cement Limited) from 25 June 2007 to 23 April 2009.

Dato' Wong Peng Chong, aged 66, was appointed as executive director of the Company on 15 March 2002. Dato' Wong is also a director of Mabuhay Holdings Corporation and Interport Resources Corporation, companies listed in The Philippine Stock Exchange, Inc..

Upon his graduation from the University of Malaya in 1967, Dato' Wong joined the Malaysian Foreign Service and served with several Malaysian diplomatic missions overseas in various capacities. He joined the private sector in 1985 and has served in various senior management positions, including executive directorships in public listed companies, in Hong Kong and Malaysia. He was the vice-president of ChinaVision Media Group Limited (formerly known as Shanghai Allied Cement Limited) from 4 July 2007 to 9 December 2009. He was also an executive director of Greenfield Chemical Holdings Limited from 13 October 2009 to 21 January 2010.

Mr. Kong Muk Yin, aged 44, was appointed as executive director of the Company on 13 May 2002. Mr. Kong is also the executive director of ChinaVision Media Group Limited (formerly known as Shanghai Allied Cement Limited) and APAC Resources Limited. He was graduated from City University of Hong Kong with a bachelor's degree in business studies. He is a fellow member of The Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst and he has extensive experience in corporate finance, financial management, accounting and auditing. He was an executive director of Greenfield Chemical Holdings Limited from 13 October 2009 to 21 January 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, aged 51, was appointed as independent non-executive director of the Company on 3 June 2004. He has over 25 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. He is also a member of the Council of ACCA. He has served as a member of the Committee of the Hong Kong branch of ACCA since 1995 and was the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is also the independent non-executive director of Binhai Investment Company Limited, Carry Wealth Holdings Limited, Greenfield Chemical Holdings Limited, Comba Telecom Systems Holdings Limited, TCL Communication Technology Holdings Limited, Foxconn International Holdings Limited, Proview International Holdings Limited, Samson Holding Ltd and Embry Holdings Limited. He was an independent non-executive director of Forefont Group Limited (formerly known as Forefront International Holdings Limited) from 25 May 2001 to 18 April 2007.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Mr. Lo Wai On, aged 48, was appointed as non-executive director of the Company on 15 March 2002 and then changed his office held to independent non-executive director on 29 October 2002. He is also an independent non-executive director of First Natural Foods Holdings Limited (Provisional Liquidators Appointed). He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has been practising under the name of his own firm, W.O. Lo & Co., Certified Public Accountants (Practising) since 1986. He has broad experience in providing tax consulting and auditing services to companies including listed companies in Hong Kong.

Mr. Zhang Jian, aged 68, was appointed as non-executive director of the Company on 16 October 2006. He is a professional senior engineer in PRC. He is the Honorary Chairman of Xian University of Architecture & Technology Peking Alumni Association and the Outside Director of China National Building Material Group Corporation and also the Chairman of the Board of Sino-Mining International Investment Co. Ltd. He has been awarded National Outstanding Intellect in 1997 and National Top 10 Honest Persons of Outstanding Ability in 2004. Mr. Zhang has been awarded as Influential Person to China Nonferrous Metal Industry in 2005. From 1982 to 1998, he held various senior positions in China Nonferrous Metal Industry Company. From 1998 to 2003, he acted as Chairman and General Manager of China Nonferrous Metal Construction Group Company Ltd.. From 2003 to 2005, he acted as General Manager of China Nonferrous Metal Mining & Construction (Group) Co., Ltd.

DIRECTORS' REPORT

The Directors of the Company (the "Director(s)") present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41 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 income statement on page 25.

The Directors recommended the payment of a final dividend of HK$0.04 per share to the shareholders on the register of members on 2 June 2010 amounting to HK$22,268,000, and the retention of the remaining profit for the year of HK$1,018,766.

SHARE CAPITAL AND WARRANTS

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

DIRECTORS' REPORT

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were revalued at 31 December 2009 and the resulting revaluation increase of HK$18,570,000 has been credited directly to the consolidated income statement.

The Group's buildings were revalued at 31 December 2009 and the resulting revaluation increase have been credited to the consolidated income statement and credited to the properties revaluation reserve of HK$54,000 and HK$410,000 respectively.

Details of these and other movements in the investment properties, and property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the consolidated financial statements, respectively.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Ms. Chong Sok Un *(Chairman)*
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-executive Directors:

Mr. Lo Wai On
Mr. Lau Siu Ki
Mr. Zhang Jian

In accordance with clause 99 of the Company's bye-laws, Mr. Kong Muk Yin and Mr. Zhang Jian will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

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

(a) Long positions in the shares of the Company

	Number of ordinary shares of HK$0.01 each					Percentage of issued ordinary shares
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	
Ms. Chong Sok Un ("Ms. Chong")	–	–	358,296,374 (Note)	–	358,296,374	64.36%

Note: Vigor Online Offshore Limited ("Vigor"), a wholly-owned subsidiary of China Spirit Limited ("China Spirit"), owns 358,296,374 Shares. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 358,296,374 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2009, none of the Directors, the chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
Ms. Chong Sok Un (Ms. Chong)	Held by controlled corporation (Note 1)	358,296,374	64.36%
China Spirit Limited ("China Spirit")	Held by controlled corporation (Note 1)	358,296,374	64.36%
Vigor Online Offshore Limited ("Vigor") (Note 1)	Beneficial owner (Note 1)	358,296,374	64.36%
Ma Hongyi ("Mr. Ma") (Note 2)	Beneficial owner (Note 2)	240,000,000	43.53%
Lee and Lee Trust	Held by controlled corporation (Note 3)	266,666,666	47.90%
Allied Group Limited ("Allied Group")	Held by controlled corporation (Note 4)	266,666,666	47.90%
Allied Properties (H.K.) Limited ("Allied Properties")	Held by controlled corporation (Note 5)	266,666,666	47.90%
AP Jade Limited ("AP Jade")	Held by controlled corporation (Note 5)	266,666,666	47.90%
AP Emerald Limited ("AP Emerald")	Held by controlled corporation (Note 5)	266,666,666	47.90%
Sun Hung Kai & Co. Limited ("SHK & Co.")	Held by controlled corporation (Note 6)	266,666,666	47.90%

DIRECTORS' REPORT

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares
Sun Hung Kai Securities Limited ("SHK Securities")	Held by controlled corporation (Note 7)	266,666,666	47.90%
Sun Hung Kai Structured Finance Limited ("SHK Structured Finance")	Held as security interest and beneficial owner (Note 8)	266,666,666	47.90%

Notes:

1. Vigor, a wholly-owned subsidiary of China Spirit, owns 358,296,374 Shares. Ms. Chong maintains 100% beneficial interests in China Spirit. Accordingly, Ms. Chong is deemed to have corporate interest in 358,296,374 ordinary shares of the Company.

2. Mr. Ma has beneficial interest in HK$180,000,000 convertible bonds of the Company convertible into 240,000,000 Shares.

3. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. They together own approximately 52.40% interest in the issued share capital of Allied Group and are therefore deemed to have the same interest held by Allied Group.

4. Allied Group owns approximately 74.36% interest in the issued share capital of Allied Properties and is therefore deemed to have the same interest held by Allied Properties.

5. Through AP Jade and AP Emerald, direct and indirect wholly-owned subsidiaries of Allied Properties respectively, Allied Properties owns approximately 62.31% interest in the issued share capital of SHK & Co. and is therefore deemed to have the same interest held by SHK & Co.

6. SHK & Co. is deemed to have interest in HK$200,000,000 convertible bonds of the Company convertible into 266,666,666 Shares through its 100% interest in SHK Securities.

7. SHK Securities is deemed to have interest in HK$200,000,000 convertible bonds of the Company convertible into 266,666,666 Shares through its 100% interest in SHK Structured Finance.

8. SHK Structured Finance owns HK$200,000,000 convertible bonds of the Company convertible into an aggregate of 266,666,666 Shares in which (i) HK$180,000,000 convertible bonds convertible into 240,000,000 Shares are held as security interest; and (ii) HK$20,000,000 convertible bonds convertible to 26,666,666 Shares are held as beneficial interest.

Save as disclosed above, as at 31 December 2009, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest customer of the Group by itself and together with the next four largest customers accounted for about 18% and 48%, respectively, of the Group's total revenue. The Group had no major suppliers due to the nature of principal activities of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the general staff of the Group is set up by the management of the Group on the basis of their merit, qualifications and competence.

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

DONATIONS

During the year, the Group made donations amounting to HK$35,000.

AUDITOR

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

On behalf of the Board

Chong Sok Un
Chairman

Hong Kong, 13 April 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. Throughout the year ended 31 December 2009, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP") listed out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors

Ms. Chong Sok Un (Chairman)
Dato' Wong Peng Chong
Mr. Kong Muk Yin

Independent Non-executive Directors

Mr. Lo Wai On
Mr. Lau Siu Ki
Mr. Zhang Jian

The Board members have no financial, business, family or other material/relevant relationships with one another. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the Code on CGP for the Board to have at least one-third in number of its members comprising Independent Non-executive Directors.

The Independent Non-executive Directors possess appropriate professional qualifications or accounting or related financial management expertise. Having made specific enquiry with all Independent Non-executive Directors, all such Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for assessment of independence. The biographical details of the Directors are set out in pages 7 to 8 of this Annual Report.

CORPORATE GOVERNANCE REPORT

During the year, 4 full board meetings were held and the attendance of each Director is set out as follows:

Name of Directors	Number of board meetings attended in 2009	Attendance rate
Ms. Chong Sok Un *(Chairman)*	4/4	100%
Dato' Wong Peng Chong	4/4	100%
Mr. Kong Muk Yin	4/4	100%
Mr. Lo Wai On	4/4	100%
Mr. Lau Siu Ki	4/4	100%
Mr. Zhang Jian	4/4	100%

The schedule of board meetings for a year is planned in the preceding year. At least 14 days notice of all board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all Directors at least 3 days before the date of every board meeting so that the Directors have the time to review the documents.

Every Board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group. In addition to its overall supervisory role, the Board also retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving policies relating to the Board's compliance, etc whilst managing the Group's business is the responsibility of the management of the Group (the "Management").

When the Board delegates aspects of its management and administration functions to the Management, it has given clear directions, to the powers of the Management, in particular, with respect to the circumstances where the Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The Chairman of the Company is Ms. Chong Sok Un. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by separate individuals who have no relationship with each other, except as fellow Directors, to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the function of the Chief Executive Officer is performed by the two Executive Directors, namely Dato' Wong Peng Chong who is in charge of day-to-day business operations of the Group and Mr. Kong Muk Yin who is in charge of finance and accounts aspect of the Group. The functions and responsibilities between the Chairman and the two Executive Directors performing the function of Chief Executive Officer are clearly segregated.

Appointment and Re-election of Directors

The Independent Non-executive Directors have been appointed for a specific term, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the bye-laws of the Company (the "Bye-laws").

The provision A.4.2 of the Code on CGP requires all Directors, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. The Company has fully complied with code provision A.4.2 of the Code on CGP.

BOARD COMMITTEES

The Board establishes committees to assist it in carrying out its responsibilities. The Board has appointed 4 Board committees, viz, the Executive Committee, Investment Committee, Remuneration Committee and Audit Committee to oversee particular aspects of the Group's affairs. Each of the committees has defined terms of reference setting out its duties, powers and function. The committees report regularly to the Board and, where appropriate, make recommendations on matters discussed.

Executive Committee

The Executive Committee was established on 23 May 1998 with terms of reference. The Committee is composed of the Chairman and two Executive Directors of the Board. The Executive Committee is responsible for approving and monitoring the daily operations of the Group. The Executive Committee held 21 meetings during the year.

Investment Committee

The Investment Committee was established on 2 February 2000 with terms of reference. The Committee is composed of the Chairman and two Executive Directors of the Board. The Investment Committee is responsible for approving and monitoring the Group's investment related activities. The investment committee met 11 times during the year.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established on 15 April 2005 with terms of reference. The Committee comprises three Independent Non-executive Directors and two Executive Directors.

The meeting of the Remuneration Committee shall be held at least once a year. One meeting was held in 2009. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2009	Attendance rate
Mr. Lau Siu Ki *(Chairman)*	1/1	100%
Mr. Lo Wai On	1/1	100%
Mr. Zhang Jian	1/1	100%
Dato' Wong Peng Chong	1/1	100%
Mr. Kong Muk Yin	1/1	100%

The remuneration policy of the Group is to ensure all its employees are remunerated in line with market terms and individual performance.

At the meetings held during the year, the overall pay trend in Hong Kong of 2009 was reviewed and noted.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the Directors and senior management.

2. To review annually the performance of the Executive Directors and senior management and recommend to the Board specific adjustments in remuneration and/or reward payments.

3. To ensure that the level of remuneration for Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.

4. To ensure that no Director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

Nomination of Directors

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

According to the Bye-Laws, notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company at least seven days before the date of the general meeting, or else no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting.

The period for lodgment of the notices referred to above will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

The detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders to make an informed decision on their election has been set out in the circular regarding, inter alia, the securities repurchase mandate and notice of annual general meeting (the "Securities Repurchase Circular").

Audit Committee

The Audit Committee of the Company comprises three Independent Non-executive Directors.

The Audit Committee shall meet at least twice a year. 4 meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate, the attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2009	Attendance rate
Mr. Lo Wai On *(Chairman)*	4/4	100%
Mr. Lau Siu Ki	4/4	100%
Mr. Zhang Jian	4/4	100%

CORPORATE GOVERNANCE REPORT

During the meetings held in 2009, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2008 and for the six months ended 30 June 2009;

(ii) reviewed the effectiveness of internal control system;

(iii) reviewed the external auditor's statutory audit plan and engagement letter;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2008;

(v) reviewed and recommended for approval by the Board the 2009 audit scope and fees; and

(vi) reviewed and recommended the revised terms of reference of the Audit Committee to align with the amendment of the code provision C3.3 of the Code on CGP contained in Appendix 14 of the Listing Rules for the Board approval.

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditor, the audit fees, and any questions of resignation or dismissal of the external auditor of the Group.

2. To discuss with the external auditor the nature and scope of the audit.

3. To review the interim and annual financial statements before submission to the Board.

4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditor may wish to discuss.

5. To review the external auditor's management letters and management's response.

6. To review the Company's systems of financial controls, internal controls and risk management to ensure that they are appropriate and functioning properly.

7. To consider any findings of major investigations of internal control matters and management's response.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid or payable to the Company's auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	900
Non-audit services	830
	1,730

INTERNAL CONTROL

The Board and senior management are responsible for establishing, maintaining and operating an effective system of internal control. The internal control system of the Company comprises a well-established organizational structure and comprehensive polices and standards. The Board has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

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

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and involving in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

a) The Executive Committee was established to ensure the effectiveness of the Group's daily operations and that the Group's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

b) The Audit Committee of the Company reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

c) The Investment Committee was established to monitor the Group's investment related activities and respective operating and financial policies.

CORPORATE GOVERNANCE REPORT

d) The Remuneration Committee was established to ensure all the Directors and the senior management of the Group are remunerated in line with market terms and individual performance.

e) The corporate reporting functions are delegated to the accounting department in terms of proper and regular reviews on the deployment of resources and financial reporting systems. The corporate governance practices and compliance with the Listing Rules, Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and other applicable regulations are delegated to the company secretarial department. The Management reviews the system of internal controls and briefs the reporting systems with the Executive Directors regularly and the Audit Committee annually.

f) Every newly appointed Director was provided with a comprehensive handout detailing the responsibilities and duties of being a director of the Company. In particular highlighting the respective applicable rules and regulation, including the Listing Rules, which a director should aware and be informed on the first occasion of his appointment with the Company.

g) The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). A copy of the Model Code was sent to each Director and the relevant employees of the Group who are required to be provided under the Model Code. Enquiries have been made with Directors and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2009, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports and press announcement. Such information is also available on the Company's website.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. At the Company's last annual general meeting (the "AGM"), Chairman of the Board as well as Chairman of the Audit Committee and Remuneration Committee were present to answer shareholders' questions.

Separate resolutions are proposed at the general meetings for each substantial issue, including the re-election of the retiring Directors.

The Company's last AGM was held on 10 June 2009 and the Securities Repurchase Circular was sent to shareholders at least 21 days prior to the meeting, setting out details of each proposed resolution, voting procedures (including the procedures for demanding and conducing a poll) and other relevant information. The Chairman explained the procedures for demanding and conducting a poll again at the beginning of the meeting and revealed the level of proxies voted in respect of each resolution.

The next AGM will be held on 2 June 2010, the notice of which will be sent to shareholders at least 20 clear business days before the meeting. An explanation of the detailed procedures for conducting a poll will be provided to the shareholders at the commencement of the meeting. The Chairman will answer any questions from shareholders regarding voting by way of a poll. The poll results will be published in accordance with the requirements of the Listing Rules.

On behalf of the Board

Chong Sok Un
Chairman

Hong Kong, 13 April 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF COL CAPITAL LIMITED
中國網絡資本有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COL Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 101, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue (excluding securities trading)		**68,544**	80,592
Gross proceeds from sale of investments held for trading		**1,046,458**	579,716
Total		**1,115,002**	660,308
Continuing operations:			
Revenue (excluding securities trading)	6	**68,544**	80,592
Other gains and losses	8	**930,544**	(2,825,590)
Other income	9	**6,741**	5,707
Administrative and other expenses		**(24,940)**	(19,515)
Finance costs	10	**(52,603)**	(50,955)
Share of profits of associates		**3,365**	3,701
Profit (loss) before taxation		**931,651**	(2,806,060)
Taxation (charge) credit	12	**(13,858)**	2,377
Profit (loss) from continuing operations		**917,793**	(2,803,683)
Discontinued operation:			
Profit for the year from discontinued operation	13	**123,241**	–
Profit (loss) for the year	14	**1,041,034**	(2,803,683)
Profit (loss) for the year attributable to:			
Owners of the Company		**1,025,401**	(2,799,811)
Minority interests		**15,633**	(3,872)
		1,041,034	(2,803,683)
Earnings (loss) per share	16		
From continuing and discontinued operations			
– Basic		**HK$1.97**	HK$(9.79)
– Diluted		**HK$1.24**	HK$(9.79)
From continuing operations			
– Basic		**HK$1.73**	HK$(9.79)
– Diluted		**HK$1.10**	HK$(9.79)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit (loss) for the year	**1,041,034**	(2,803,683)
Exchange difference arising from translation of foreign operations	**452**	3,353
Net gain (loss) on available-for-sale investments	**44,141**	(516,906)
Surplus on transfer from prepaid lease payments to investment properties at fair value	**–**	2,214
Surplus (deficit) on revaluation of buildings	**410**	(50)
Share of other comprehensive income of associates	**–**	3,459
Reclassification adjustment for the cumulative exchange gain included in profit or loss upon disposal of an associate	**(9,406)**	–
Other comprehensive income and expenses for the year	**35,597**	(507,930)
Total comprehensive income and expenses for the year	**1,076,631**	(3,311,613)
Total comprehensive income and expenses attributable to:		
Owners of the Company	**1,060,998**	(3,307,741)
Minority interests	**15,633**	(3,872)
	1,076,631	(3,311,613)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	17	**100,375**	103,105
Property, plant and equipment	18	**3,385**	3,036
Prepaid lease payments	19	**52**	54
Interests in associates	20	**5,368**	138,501
Available-for-sale investments	21	**385,742**	356,835
		494,922	601,531
Current assets			
Available-for-sale investments	21	**6,522**	124,055
Investments held for trading	22	**1,525,691**	818,971
Debtors, deposits and prepayments	23	**28,229**	36,648
Amount due from an associate	20	**30,845**	–
Loan receivables	24	**389,425**	164,875
Taxation recoverable		**2,025**	4,050
Pledged bank deposits	25	**9,151**	1,167
Bank balances and cash	25	**110,612**	66,279
		2,102,500	1,216,045
Current liabilities			
Creditors and accrued charges	26	**20,915**	70,011
Customers' deposits and receipts in advance		**36,737**	34,647
Other borrowings	27	**51,565**	854,682
Derivative financial instruments	28	**4,188**	9,453
Taxation payable		**80,014**	68,442
		193,419	1,037,235
Net current assets		**1,909,081**	178,810
Total assets less current liabilities		**2,404,003**	780,341

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Other borrowing	27	**150,000**	–
Convertible bonds	29	**218,096**	–
		368,096	–
Net assets		**2,035,907**	780,341
Capital and reserves			
Share capital	30	**5,567**	2,756
Reserves	31	**1,977,169**	777,585
Equity attributable to owners of the Company		**1,982,736**	780,341
Minority interests		**53,171**	–
Total equity		**2,035,907**	780,341

The financial statements on pages 25 to 101 were approved and authorised for issue by the Board of Directors on 13 April 2010 and are signed on its behalf by:

Ms. Chong Sok Un
DIRECTOR

Dato' Wong Peng Chong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible bonds equity reserve HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits (accumulated loss) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	2,762	592,751	–	5,036	720,879	2,178	9,036	2,767,805	4,100,447	3,872	4,104,319
Loss for the year	–	–	–	–	–	–	–	(2,799,811)	(2,799,811)	(3,872)	(2,803,683)
Other comprehensive income and expenses for the year	–	–	–	2,164	(516,906)	–	6,812	–	(507,930)	–	(507,930)
Total comprehensive income and expenses for the year	–	–	–	2,164	(516,906)	–	6,812	(2,799,811)	(3,307,741)	(3,872)	(3,311,613)
Dividend paid	–	–	–	–	–	–	–	(11,047)	(11,047)	–	(11,047)
Repurchase of shares (note 30)	(6)	(1,371)	–	–	–	6	–	(6)	(1,377)	–	(1,377)
Issue of new shares upon exercise of warrants (note 30)	–	59	–	–	–	–	–	–	59	–	59
At 31 December 2008	2,756	591,439	–	7,200	203,973	2,184	15,848	(43,059)	780,341	–	780,341
Profit for the year	–	–	–	–	–	–	–	1,025,401	1,025,401	15,633	1,041,034
Other comprehensive income and expenses for the year	–	–	–	410	44,141	–	(8,954)	–	35,597	–	35,597
Total comprehensive income and expenses for the year	–	–	–	410	44,141	–	(8,954)	1,025,401	1,060,998	15,633	1,076,631
Issue of shares upon exercise of warrants (note 30)	1	268	–	–	–	–	–	–	269	–	269
Issue of shares upon rights issue (note 30)	2,757	107,504	–	–	–	–	–	–	110,261	–	110,261
Issue of shares upon conversion of convertible bonds (note 30)	53	3,947	–	–	–	–	–	–	4,000	–	4,000
Transaction cost attributable to issue of shares	–	(1,375)	–	–	–	–	–	–	(1,375)	–	(1,375)
Recognition of equity component of convertible bonds	–	–	28,242	–	–	–	–	–	28,242	–	28,242
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	53,200	53,200
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	–	–	–	291,661	291,661
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(20,214)	(20,214)
Dilution of shareholding in a subsidiary	–	–	–	–	–	–	–	–	–	64,844	64,844
Disposal of a subsidiary (note 39)	–	–	–	–	–	–	–	–	–	(351,953)	(351,953)
At 31 December 2009	5,567	701,783	28,242	7,610	248,114	2,184	6,894	982,342	1,982,736	53,171	2,035,907

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation		
Continuing operations	**931,651**	(2,806,060)
Discontinued operation	**26,160**	–
	957,811	(2,806,060)
Adjustments for:		
Interest income	**(5,147)**	(4,016)
Depreciation of property, plant and equipment	**3,282**	315
Interest expense	**52,603**	50,955
Amortisation of prepaid lease payments	**91**	1
Cumulative gain reclassified from equity on disposal of available-for-sale investments	**(119,344)**	(2,104)
Change in fair value of investments held for trading	**(523,625)**	1,893,094
Fair value changes on investment properties	**(18,570)**	12,408
Revaluation surplus on buildings	**(54)**	(54)
Share of profits of associates	**(19,719)**	(3,701)
Gain on disposal of associates	**(10,756)**	–
Impairment loss recognised on associates	**–**	122,324
Change in fair value of derivative financial instruments	**(5,265)**	4,579
Operating cash flow before movements in working capital	**311,307**	(732,259)
Decrease in inventories	**30**	–
(Increase) decrease in investments held for trading	**(183,095)**	905,151
Decrease in debtors, deposits and prepayments	**10,356**	4,636
(Increase) decrease in loan receivables	**(224,550)**	9,140
Decrease in creditors and accrued charges	**(49,614)**	(27,984)
Increase in customers' deposits and receipts in advance	**2,090**	20,455
Cash (used in) generated from operating activities	**(133,476)**	179,139
Interest paid	**(33,048)**	(50,955)
Tax paid	**(1,170)**	(100,214)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(167,694)**	27,970

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Proceeds from redemption of loan notes		–	52,401
Proceeds from disposal of available-for-sale investments		318,274	9,864
(Increase) decrease in pledged bank deposits		(7,984)	9,551
Interest received		5,147	4,016
Purchases of available-for-sale investments		(39,125)	(31,200)
Purchases of property, plant and equipment		(201)	(979)
Proceeds on disposal of an associate		138,003	–
Acquisition of subsidiaries	38	(139,178)	–
Disposal of a subsidiary	39	141,055	–
Acquisition of additional interest in a subsidiary		(20,288)	–
Acquisition of investment in an associate		(155)	–
Advance to associates		(33,476)	–
Proceeds from dilution on shareholding of a subsidiary		88,182	–
Proceeds from disposal of an investment property		21,300	–
NET CASH FROM INVESTING ACTIVITIES		471,554	43,653
FINANCING ACTIVITIES			
New borrowings raised		1,707,000	2,008,953
Proceeds from issue of shares		110,530	59
Expenses on issues of shares		(1,375)	–
Repayments of borrowings		(2,360,117)	(2,073,109)
Dividends paid		–	(11,047)
Repurchase of shares		–	(1,377)
Capital contribution from a minority shareholder of a subsidiary		53,200	–
Proceeds from issue of convertible bonds		300,000	–
Expenses on issue of convertible bonds		(9,217)	–
Repayments of convertible bonds		(60,000)	–
NET CASH USED IN FINANCING ACTIVITIES		(259,979)	(76,521)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		43,881	(4,898)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		452	3,353
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		66,279	67,824
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		110,612	66,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed on page 2 of the annual report.

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41.

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

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards 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 (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure Standard that has not resulted in a redesignation of the Group's operating segments (see note 7) but the measure of segment profit or loss had been changed.

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

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

In addition, the Group has elected to early adopt the amendment to HKFRS 5 and HKAS 1 as part of Improvements to HKFRSs 2009 (adopted in advance of effective date of 1 January 2010).

Amendments to HKAS 1 as part of Improvements to HKFRSs 2009

The Group has also early adopted amendments to HKAS 1 (as part of Improvements to HKFRSs 2009) regarding classification of a liability that can, at the option of counterparty, be settled by the issue of the entity's equity instruments. These amendments have had no impact on the Group's results for the reported periods. The amendments have resulted in the presentation of liability component of the convertible bonds as non-current liability at the end of the reporting period and there is no material impact on the statement of financial position as at 31 December 2008 and 1 January 2008.

Amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discounted operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

New and revised HKFRSs affecting the reported results and/or financial position

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

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

[1] Effective for annual periods beginning on or after 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 application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

New and revised HKFRSs affecting the reported results and/or financial position *(continued)*

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 will affect the classification and measurement of the Group's leasehold land.

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 properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

The carrying amount of the investment at the date that the entity ceases to be a subsidiary is regarded as the cost on initial measurement of available-for-sale investments.

Business combinations

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

When a business combination involves more than one exchange transaction, each exchange shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with the transaction. Any adjustment to those fair values related to previously held interests of the Group is credited to the revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

Acquisition of additional interest in a subsidiary

On acquisition of additional interest in a subsidiary, goodwill is calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the business attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised as income in the consolidated income statement .

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

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

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

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. 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 asset) is included in the of profit or loss in the period in which the item is derecognised.

Property, plant and equipment

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

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any revaluation increase arising on the revaluation of buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

If an item of property, plant and equipment becomes to an investment property, because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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

Interests in associates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Prepaid lease payments

Prepaid lease payments of land under operating lease are charged to the consolidated income statement on a straight-line basis over the lease terms, except for those held to earn rentals and/or for capital appreciation purpose and classified as investment properties are carried at fair values.

If prepaid lease payments become an investment properties because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of asset, the relevant revaluation reserve will be transferred directly to retained profits.

Financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into one of the three categories, including investments held for trading, 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. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

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

Investments held for trading

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including debtors, loan receivables, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity instruments or financial assets at fair value through profit or loss. The Group designated investments in equity securities other than held for trading purpose, unit trusts investments and club debentures 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 asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as debtors and loan receivables, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and loan receivables, 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 debtors or loan receivables are considered uncollectible, they are 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 of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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 accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Convertible bonds contains liability and equity components, and early redemption option

Convertible bonds issued by the Group that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability components, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the conversion option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

When the convertible bonds before maturity through an early redemption or repurchase, in which the original conversion privileges are unchanged, are extinguished, the consideration paid and any transaction costs for the repurchase or redemption are allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Group when the convertible bonds were issued.

Once the allocation of the consideration is made, the amount of gain or loss relating to the liability component and the amount of consideration relating to the equity component are recognised in profit or loss and equity respectively.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities including creditors and other borrowings 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

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

Derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Retirement benefits scheme

Payments to the Group's defined contribution scheme or Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2009, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of approximately HK$2,067 million (2008: HK$2,606 million). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors of the Company determine the deferred taxation assets based on tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred taxation assets are expected to be utilised. The Directors of the Company will review the assumptions and profit projections by the end of the reporting period. Unused tax loss of approximately HK$544 million (2008: HK$0.6 million) has been utilised in current year. In cases where the actual future profits generated are more or less than expected, further recognition or reversal of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS

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 shareholders through the optimisation of the debt and equity balance. The Directors of the Company consider share capital and retained profits are the capital of the Group. The Group's overall strategy remains unchanged from prior years.

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

Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Investments held for trading	**1,525,691**	818,971
Loans and receivables (including cash and cash equivalents)	**564,251**	268,400
Available-for-sale financial assets	**392,264**	480,890
Financial liabilities		
Amortised cost	**432,950**	860,600
Financial liabilities held for trading	**4,188**	9,453

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, loan receivables, debtors, creditors, other borrowings, convertible bonds, pledged bank deposits and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated loan receivables, bank balances, debtors and other borrowings from financial institutions. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**107,716**	132,152	**–**	–
Renminbi ("RMB")	**126,872**	90,263	**–**	–
Australian Dollars ("AUD")	**–**	14,968	**13,536**	–
Malaysian Ringgit ("MYR")	**15,941**	–	**–**	–

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates.

The following table details the Group's sensitivity to a 10% (2008: 10%) increase and decrease in HK$ against relevant foreign currencies and all other variables were held constant. 10% (2008: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts its translation at the year end for a 10% (2008: 10%) change in foreign currencies rates. A positive number below indicates an increase in post-tax profit (2008: decrease in loss) for the year where foreign currencies strengthen 10% (2008: 10%) against HK$. For a 10% (2008: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the year.

	RMB Impact		AUD Impact		MYR Impact	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in profit for the year	**10,594**	–	**(1,130)**	–	**1,331**	–
Decrease in loss for the year	**–**	7,537	**–**	1,250	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk

(i) Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments, investments held for trading and derivative financial instruments. The Group's available-for-sale investments, investments held for trading and derivative financial instruments have significant concentration of price risk in Hong Kong stock market. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 30% in the current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 30% (2008: 10%) higher/lower and all other variables were held constant, the Group's:

- post-tax profit for the year ended 31 December 2009 would increase/decrease approximately by HK$382,186,000 (2008: post-tax loss for the year would decrease/increase approximately by HK$68,384,000) as a result of the changes in fair value of held for trading investments;

- investment revaluation reserve would increase/decrease approximately by HK$117,476,000 (2008: HK$48,021,000) for the Group as a result of the changes in fair value of available-for-sale investments; and

- post-tax profit for the year ended 31 December 2009 would increase/decrease approximately by HK$2,826,000/HK$23,430,000 (2008: post-tax loss for the year would decrease/increase approximately by HK$1,498,000/HK$1,646,000) as a result of the changes in the fair value of derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk (continued)

(ii) Foreign currencies risk on non-monetary items

The Group is engaged in securities trading and investments which are denominated in foreign currencies and is therefore exposed to foreign currency price risk. Approximately 28% (2008: 32%) of the Group's investments are denominated in currencies other than the functional currency of the group entity.

The carrying amounts of the Group's foreign currency denominated investments held for trading and available-for-sale investments at the reporting date are as follows:

	2009	2008
	HK$'000	HK$'000
USD	**69,725**	56,135
AUD	**225,601**	97,329
MYR	**42,656**	45,182
New Taiwan Dollars ("TWD")	**199,993**	108,323
RMB	**–**	113,989
Japanese Yen ("JPY")	**2,621**	–

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2008: 10%) increase and decrease in HK$ against foreign currencies and all other variables were held constant. USD is not included in sensitivity analysis. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. 10% (2008: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit (2008: decrease in loss) for the year where foreign currencies strengthen 10% (2008: 10%) against HK$. For a 10% (2008: 10%) weakening of foreign currencies against HK$ there would be an equal and opposite impact on the result for the year and the investment revaluation reserve.

	2009	2008
	HK$'000	HK$'000
Increase in profit/decrease in loss for the year	**27,207**	14,251
Increase in investment revaluation reserve	**19,880**	22,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to bank deposits, fixed rate loan receivables, secured term loan and the liability component of convertible bonds. The Group's cash flow interest rate risk relates to its variable rate loan receivables, bank balances, securities margin loans and unsecured term loan.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

The management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

A 100 basis point change is used which represents management's assessment of the reasonably possible change in interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If the interest rate of variable rate loan receivables, securities margin loans and unsecured term loan had been 100 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase approximately by HK$301,000 (2008: loss for the year would increase/decrease by HK$6,577,000).

Credit risk

The Group's credit risk is primarily attributable to debtors, loan receivables, bank balances and pledged bank deposits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk (continued)

Bank balances and pledged bank deposits are placed in various banks and the Group has limited exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has significant concentration of credit risk on debtors and loan receivables as the credit risk is mainly attributable to certain counterparties.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual debt and loan receivables at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains 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. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. For derivative financial instruments, the Group has approximately HK$70,509,000 (2008: HK$30,136,000) contractual cash outflow in return with listed securities within 1 year. The nature of the derivative financial instruments is disclosed in note 28 to the consolidated financial statements.

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the agreed repayment terms. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at year end HK$'000
As at 31 December 2009								
Non-derivative financial liabilities								
Creditors	**–**	**–**	**13,017**	**134**	**138**	**–**	**13,289**	**13,289**
Other borrowings								
– variable rates	**prime rate plus spread**	**51,565**	**–**	**–**	**–**	**–**	**51,565**	**51,565**
– fixed rates	**6%**	**–**	**750**	**1,500**	**6,750**	**157,500**	**166,500**	**150,000**
Convertible bonds (Note)	**9%**	**–**	**–**	**9,469**	**10,620**	**267,860**	**287,949**	**218,096**
		51,565	**13,767**	**11,103**	**17,508**	**425,360**	**519,303**	**432,950**
As at 31 December 2008								
Non-derivative financial liabilities								
Creditors	–	–	5,636	150	132	–	5,918	5,918
Other borrowings								
– variable rates	prime rate plus spread	489,682	–	–	307,500	–	797,182	789,682
– fixed rates	8%	–	–	–	66,733	–	66,733	65,000
		489,682	5,636	150	374,365	–	869,833	860,600

Note: It is assumed that the convertible bonds will not be early redeemed by the Company before the maturity date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values

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

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and the fair values of the unit trusts have been determined based on the fair value of the underlying quoted investments;

- the fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair values of derivative financial instruments are calculated using option pricing model.

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

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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

	2009			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Non-derivative financial assets				
Investments held for trading	**1,525,691**	**–**	**–**	**1,525,691**
Available-for-sale financial assets				
Listed equity securities	**331,357**	**–**	**–**	**331,357**
Unlisted unit trusts	**–**	**60,229**	**–**	**60,229**
Unlisted club debentures	**–**	**678**	**–**	**678**
Total	**1,857,048**	**60,907**	**–**	**1,917,955**
Financial liabilities				
Derivative financial liabilities	**–**	**–**	**4,188**	**4,188**

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

Reconciliation of Level 3 fair value measurements of financial liabilities

	Derivative financial instruments HK$'000
At 1 January 2009	9,453
Realised gain in profit or loss	(11,574)
Unrealised loss in profit or loss	4,188
Settlements	2,121
At 31 December 2009	4,188

Of the total gains or losses for the year included in profit or loss, HK$4,188,000 relates to derivative financial instruments held at the end of the reporting period. Fair value gains or losses on derivative financial instruments are included in 'Other gains and losses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. REVENUE

	2009 HK$'000	2008 HK$'000
Continuing operations		
Dividend income from listed investments	**32,761**	60,932
Interest income from loan receivables	**32,425**	15,654
Rental income	**3,358**	4,006
	68,544	80,592

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by chief operating decision maker, represented by the board of directors of the Company, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segment (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 but the basis of measurement of segment result, assets or liabilities had been changed.

As a result, following the adoption of HKFRS 8, the identification of the Group's operating segments remains unchanged as follows:

Securities trading and investments – trading of securities in Hong Kong and oversea markets.

Financial services – provision of financial services.

Property investment – leasing of residential properties and office spaces.

The financial information of the discontinued operation as disclosed in note 13 to the financial statements was not regularly reviewed by the Board of Directors of the Company, accordingly such operation has not been included in the segment information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the year ended 31 December 2009

	Continuing operations			
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	1,046,458	–	–	1,046,458
Revenue	32,761	32,425	3,358	68,544
Segment profit	890,896	33,216	21,132	945,244
Share of profits of associates				3,365
Gain on disposal of associates				10,756
Other income				5,762
Net foreign exchange gain				3,226
Central corporate expenses				(2,347)
Effective interest expense on convertible bonds				(34,355)
Profit before taxation				931,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2008

	Continuing operations			
	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Gross proceeds from sale of investments held for trading	579,716	–	–	579,716
Revenue	60,932	15,654	4,006	80,592
Segment (loss) profit	(2,674,823)	13,626	(9,907)	(2,671,104)
Share of profits of associates				3,701
Impairment loss recognised on associates				(122,324)
Other income				1,691
Net foreign exchange loss				(2,707)
Central corporate expenses				(15,317)
Loss before taxation				(2,806,060)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of share of profits of associates, gain on disposal of associates, impairment loss recognised on associates, other income, net foreign exchange gain (loss), central corporate expenses and effective interest expense on convertible bonds. This is the measure reported to the Group's management for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 31 December 2009

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	**1,983,244**	**405,228**	**103,298**	**2,491,770**
Interests in associates				**5,368**
Loan to an associate				**30,845**
Corporate assets				**69,439**
Consolidated assets				**2,597,422**
Segment liabilities	**144,181**	**186,788**	**1,885**	**332,854**
Corporate liabilities				**228,661**
Consolidated liabilities				**561,515**

At 31 December 2008

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment assets	1,334,624	164,983	105,792	1,605,399
Interests in associates				138,501
Corporate assets				73,676
Consolidated assets				1,817,576
Segment liabilities	505,178	32,465	1,390	539,033
Corporate liabilities				498,202
Consolidated liabilities				1,037,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

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

- all assets are allocated to operating segments other than property, plant and equipment, interests in associates, deposits and prepayments, taxation recoverable and certain bank balances and cash.

- all liabilities are allocated to operating segments other than certain creditors and accrued charges, customers' deposits and receipts in advance, other borrowings, taxation payable and convertible bonds.

Other segment information

Continuing operations

For the year ended 31 December 2009

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets					
Interest income	979	–	–	–	979
Finance cost	15,624	2,617	7	–	18,248
Amortisation of prepaid lease payments	–	–	2	–	2
Depreciation of property, plant and equipment	–	–	180	136	316
Additions to non-current assets excluding financial instruments	–	–	201	–	201
Fair value changes on investment properties	–	–	18,570	–	18,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Continuing operations (continued)

For the year ended 31 December 2008

	Securities trading and investments HK$'000	Financial services HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment results or segment assets					
Interest income	4,016	–	–	–	4,016
Finance cost	49,219	1,675	61	–	50,955
Amortisation of prepaid lease payments	–	–	1	–	1
Depreciation of property, plant and equipment	–	–	202	113	315
Additions to non-current assets excluding financial instruments	–	–	301	678	979
Fair value changes on investment properties	–	–	(12,408)	–	(12,408)

Geographical information

The Group's securities trading and investments and financial services are mainly carried out in Hong Kong. Rental income from property investment is derived from Hong Kong and the People's Republic of China (the "PRC").

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

	Revenue from external customers		**Non-current assets**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong	**65,818**	77,810	**70,760**	208,406
The PRC	**2,726**	2,782	**38,420**	36,290
	68,544	80,592	**109,180**	244,696

Note: Non-current assets excluded financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. SEGMENT INFORMATION *(continued)*

Information about major customers

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

	2009	2008
	HK$'000	HK$'000
Customer A [1]	**11,535**	13,343
Customer B [1]	**12,261**	–[2]

[1] Revenue from financial services.

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

8. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	HK$'000
Other gains (losses) from continuing operations		
Change in fair value of investments held for trading (Note a)	**771,208**	(2,685,835)
Change in fair value of derivative financial instruments (Note b)	**7,386**	(4,474)
Net gain on disposal of available-for-sale investments	**119,344**	2,104
Gain on disposal of an associate	**10,756**	–
Impairment loss recognised on associates	**–**	(122,324)
Fair value changes on investment properties (Note c)	**18,570**	(12,408)
Revaluation surplus on buildings	**54**	54
Net foreign exchange gain (loss)	**3,226**	(2,707)
	930,544	(2,825,590)

Notes:

(a) Net realised gain of approximately HK$247,583,000 (2008: net realised loss of HK$792,741,000) on disposal of investments held for trading are included in change in fair value of investments held for trading.

(b) Net realised gain of approximately HK$11,574,000 (2008: net realised gain of HK$105,000) on derivative financial instruments are included in change in fair value of derivative financial instruments.

(c) Net realised gain of approximately HK$4,900,000 (2008: Nil) on investment property is included in change in fair value of investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Continuing operations		
Interest income from:		
– Loan notes	–	762
– Bank deposits	577	737
– Others	402	2,517
	979	4,016
Others	5,762	1,691
	6,741	5,707

10. FINANCE COSTS

The amounts represent interest on other borrowings and effective interest on convertible bonds wholly repayable within five years.

	2009 HK$'000	2008 HK$'000
Interest on:		
Other borrowings and margin loan wholly repayable within five years	18,248	50,955
Effective interest expense on convertible bonds	34,355	–
	52,603	50,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The Directors' emoluments are analysed as follows:

	For the year ended 31 December 2009				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Ms. Chong Sok Un	–	455	–	12	467
Dato' Wong Peng Chong	–	1,300	–	12	1,312
Mr. Kong Muk Yin	–	1,170	–	12	1,182
Independent non-executive directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	2,925	–	36	3,401

	For the year ended 31 December 2008				
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Ms. Chong Sok Un	–	455	–	12	467
Dato' Wong Peng Chong	–	1,300	–	12	1,312
Mr. Kong Muk Yin	–	1,170	–	12	1,182
Independent non-executive directors					
Mr. Lo Wai On	180	–	–	–	180
Mr. Lau Siu Ki	180	–	–	–	180
Mr. Zhang Jian	80	–	–	–	80
	440	2,925	–	36	3,401

Note: The performance related incentive payments are determined by reference to the individual performance of the Directors and approved by the Remuneration Committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

Directors' emoluments *(continued)*

During the year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

Five highest paid individuals

During the year, the five highest paid individuals included three Directors (2008: three), details of their emoluments are set out above. The emoluments for the remaining two (2008: two) highest paid individuals of the Group are as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**1,544**	1,682
Retirement benefits scheme contributions	**21**	22
	1,565	1,704

The emoluments are within the following bands:

	2009 **Number of employees**	2008 Number of employees
Nil to HK$1,000,000	**2**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. TAXATION (CHARGE) CREDIT

	2009	2008
	HK$'000	HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**–**	–
Enterprise Income Tax in the PRC	**(261)**	(236)
	(261)	(236)
(Underprovision) overprovision in prior years		
– Hong Kong Profits Tax	**(13,597)**	2,613
	(13,858)	2,377

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% with effect 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. No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. TAXATION (CHARGE) CREDIT *(continued)*

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2009	2008
	HK$'000	HK$'000
Profit (loss) before taxation from continuing operations	**931,651**	(2,806,060)
Taxation (charge) credit at the income tax rate of 16.5%	**(153,722)**	463,000
Tax effect of share profits of associates	**555**	611
Tax effect of expenses that are not deductible	**(9,818)**	(165,378)
Tax effect of income that is not taxable	**73,489**	11,500
(Underprovision) overprovision in respect of prior years	**(13,597)**	2,613
Tax effect of utilisation of tax losses/deductible temporary differences previously not recognised	**89,811**	99
Tax effect of tax losses not recognised	**(929)**	(310,020)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**160**	(193)
Others	**193**	145
Taxation (charge) credit	**(13,858)**	2,377

At the date of issue of the consolidated financial statements, the Group has disputes with the Hong Kong Inland Revenue Department regarding additional tax payable for prior years. A tax provision of HK$13,597,000 has been recognised in current year.

However, it remains the Directors' view that there still have ample grounds to contest the assessments based on tax principles as well as facts and the Group will continue to pursue the objection against the additional tax payable vigorously.

13. DISCONTINUED OPERATION

On 4 December 2009, the Group entered into a sale agreement to dispose of a subsidiary, Greenfield Chemical Holdings Limited ("Greenfield"), a company listed on the Stock Exchange, which carried out all of the Group's manufacturing and trading of paints and related products. The disposal was effected in order to generate cash flows for reduction of other borrowings and for working capital of the Group. The disposal was completed on 9 December 2009, on which date control of Greenfield passed to the acquirer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. DISCONTINUED OPERATION *(continued)*

The profit for the year from the discontinued operation is analysed as follows:

	2009 HK$'000
Profit of manufacturing and trading of paints and related products for the period	24,952
Gain on disposal of the operation of manufacturing and trading of paints and related products (see note 39)	76,595
Gain on dilution of shareholding of the operation of manufacturing and trading of paints and related products (see note 39)	21,694
	123,241

Greenfield was acquired by the Group on 4 September 2009 (see note 38 for the details of acquisition), therefore, the results of the trading of paints operations for the period from 4 September 2009 to 9 December 2009, which have been included in the consolidated income statement, were as follows:

	Period from 4.9.2009 to 9.12.2009 HK$'000
Revenue	71,355
Cost of sales	(48,427)
Other income	8,570
Selling and distribution expenses	(5,424)
Administrative expenses	(16,268)
Share of profits of associates	16,354
Profit before taxation	26,160
Taxation	(1,208)
Profit for the period	24,952
Profit for the period attributable to:	
Owners of the Company	13,380
Minority interest	11,572
	24,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. DISCONTINUED OPERATION *(continued)*

Profit for the period from discontinued operation includes the following:

	Period from 4.9.2009 to 9.12.2009 HK$'000
Auditor's remuneration	**165**
Cost of inventories recognised as expenses	**48,427**
Amortisation of prepaid lease payments	**89**
Depreciation of property, plant and equipment	**2,966**
Staff costs, inclusive of directors' emoluments	**19,450**
Interest income	**4,168**
Operating lease rentals in respect of rental premises	**295**

During the year, Greenfield contributed HK$6,503,000 to the Group's net operating cash flows, contributed HK$4,267,000 in respect of investing activities and with Nil contribution in respect of financing activities.

The carrying amounts of the assets and liabilities of Greenfield at the date of disposal are disclosed in note 39.

14. PROFIT (LOSS) FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Continuing operations		
Profit (loss) for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,109**	1,168
Amortisation of prepaid lease payments	**2**	1
Depreciation of property, plant and equipment	**316**	315
Staff costs, inclusive of directors' emoluments	**7,600**	7,081
Gross rental income from properties	**(3,358)**	(4,006)
Less: Direct operating expenses that generated rental income	**787**	898
Direct operating expenses that did not generate rental income	**415**	363
Net rental income	**(2,156)**	(2,745)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividends recognised as distribution during the year:		
2007 Final dividend paid – HK$0.04 per share	–	11,047

The final dividend of HK$0.04 per share for the year ended 31 December 2009 (2008: Nil) has been proposed by the Directors and is subject to approval by the shareholders in annual general meeting.

16. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

Earnings (loss)

	2009 HK$'000	2008 HK$'000
Earnings (loss) for the purpose of basic earnings per share (profit (loss) for the year attributable to owners of the Company)	1,025,401	(2,799,811)
Effect of dilutive potential ordinary shares – interest on convertible bonds	34,355	–
Earnings (loss) for the purpose of diluted earnings (loss) per share	1,059,756	(2,799,811)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	521,545,873	285,915,057
Effect of dilutive potential ordinary shares – convertible bonds	330,301,369	–
Weighted average number of shares for the purpose of diluted earnings (loss) per share	851,847,242	285,915,057

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted for the rights issue on 13 February 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. EARNINGS (LOSS) PER SHARE *(continued)*

For continuing and discontinued operations *(continued)*

Earnings (loss) (continued)

The calculation of diluted earnings (loss) per share does not assume the exercise of warrants because the exercise price of the Company's outstanding warrants was higher than the average market price of shares for the period from date of issue to 31 December 2008 and from 1 January 2009 up to the maturity.

From continuing operations

The calculation of the basic earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2009 **HK$'000**	2008 HK$'000
Earnings (loss) for the year attributable to owners of the Company	**1,025,401**	(2,799,811)
Less: Profit for the period from discontinued operation	**(123,241)**	–
Earnings (loss) for the purposes of basic earnings (loss) per share from continuing operations	**902,160**	(2,799,811)
Effect of dilutive potential ordinary shares – interest on convertible bonds	**34,355**	–
Earnings (loss) for the purpose of diluted earnings per share from continuing operations	**936,515**	(2,799,811)

The denominators used are the same as those detailed above for basic earnings (loss) per share.

From discontinued operation

For the year ended 31 December 2009, basic earnings per share for the discontinued operation is HK$0.24 per share and diluted earnings per share for the discontinued operation is HK$0.14 per share for the year ended 31 December 2009, based on the profit for the year from the discontinued operation of HK$123,241,000 and the denominators detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2008	110,925
Reclassified from prepaid lease payments	3,160
Reclassified from buildings	1,428
Net decrease in fair value recognised in profit or loss	(12,408)
At 31 December 2008	103,105
Net increase in fair value recognised in profit or loss	18,570
Disposal	(21,300)
At 31 December 2009	**100,375**

The Group's investment properties are analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Properties held under medium term leases:		
– in Hong Kong	**61,955**	66,815
– in the PRC	**34,580**	33,030
Properties situated in the PRC held under long term leases	**3,840**	3,260
	100,375	103,105

The fair value of the Group's investment properties at 31 December 2009 and 2008 has been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the institute of valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and on the basis of capitalisation of the net income with due allowance for the reversionary income.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong under medium-term lease HK$'000	Computer and electronic equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2008	3,586	749	1,679	501	–	6,515
Additions	–	141	160	678	–	979
Disposals	–	–	–	(501)	–	(501)
Revaluation decrease	(62)	–	–	–	–	(62)
Reclassified to investment properties	(1,428)	–	–	–	–	(1,428)
At 31 December 2008	2,096	890	1,839	678	–	5,503
Additions	–	187	14	–	–	201
Acquired on acquisition of a subsidiary	–	–	9,504	4,166	63,329	76,999
Disposed on disposal of a subsidiary	–	–	(9,504)	(4,166)	(63,329)	(76,999)
Revaluation increase	410	–	–	–	–	410
At 31 December 2009	**2,506**	**1,077**	**1,853**	**678**	**–**	**6,114**
Comprising:						
At cost	–	1,077	1,853	678	–	3,608
At valuation – 2009	2,506	–	–	–	–	2,506
	2,506	1,077	1,853	678	–	6,114
DEPRECIATION						
At 1 January 2008	–	696	1,522	501	–	2,719
Provided for the year	66	35	101	113	–	315
Eliminated on disposals	–	–	–	(501)	–	(501)
Eliminated on revaluation	(66)	–	–	–	–	(66)
At 31 December 2008	–	731	1,623	113	–	2,467
Provided for the year	54	53	444	299	2,432	3,282
Eliminated on disposal of a subsidiary	–	–	(371)	(163)	(2,432)	(2,966)
Eliminated on revaluation	(54)	–	–	–	–	(54)
At 31 December 2009	**–**	**784**	**1,696**	**249**	**–**	**2,729**
CARRYING VALUES						
At 31 December 2009	**2,506**	**293**	**157**	**429**	**–**	**3,385**
At 31 December 2008	2,096	159	216	565	–	3,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Buildings	Over the shorter of the lease terms or 30 – 50 years
Computer and electronic equipment	20%
Furniture and fixtures	20%
Motor vehicles	20% – 50%
Plant, machinery and equipment	4% – 18%

The buildings of the Group were valued on 31 December 2009 and 2008 by DTZ Debenham Tie Leung Limited, a firm of independent professional property valuers, on a market value basis. DTZ Debenham Tie Leung Limited is not connected with the Group. A revaluation surplus on buildings of approximately HK$54,000 (2008: HK$54,000) has been credited to the consolidated income statement. A revaluation surplus on buildings of approximately HK$410,000 (2008: deficit of HK$50,000) has been credited/charged to the properties revaluation reserve.

If the buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$630,000 (2008: HK$647,000).

19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in Hong Kong held under medium term leases.

The leasehold land is amortised on a straight-line basis over the remaining term of the leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

20. INTERESTS IN ASSOCIATES

	2009	2008
	HK$'000	HK$'000
Cost of investment in associates		
Listed in Hong Kong	**–**	184,640
Unlisted	**73,172**	67,175
Share of post-acquisition profits and other comprehensive income, net of dividends received	**5,213**	9,010
Less: Impairment loss	**(73,017)**	(122,324)
	5,368	138,501
Fair value of listed investments	**–**	57,379

Amount due from an associate of HK$30,845,000 is unsecured, interest free and expected to be recoverable within twelve months after the end of the reporting period.

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of entities	Form of business structure	Place/ Country of incorporation/ registration	Principal place of operation	Class of shares held	Number of share held by the Group as at 31.12.2009	Proportion of nominal value of issued capital held by the Group 2009 %	2008 %	Proportion of voting power held 2009 %	2008 %	Principal activity
ChinaVision Media Group Limited ("ChinaVision") (Formerly known as Shanghai Allied Cement Limited)	Incorporated	Bermuda	The PRC	Ordinary	N/A	**N/A**	27.1	**N/A**	27.1	Investment holding
Printronics Electronics Limited ("Printronics")	Incorporated	Hong Kong	Hong Kong	Ordinary	2	**40**	40	**40**	40	Inactive
Sinofair International Investments Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	20,000	**40**	–	**40**	–	Securities trading in Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

20. INTERESTS IN ASSOCIATES *(continued)*

During the year ended 31 December 2008, the Directors of the Company reviewed the recoverable amounts of the interests in associates based on the value in use calculation with the expected discounted future cash flows of the associates at discount rate of 12.94% which is estimated to be less than the carrying amount and accordingly, an impairment loss of approximately HK$122,324,000 was recognised in the consolidated income statement.

On 6 March 2009, the Group disposed of the entire shares in ChinaVision, at a price of HK$0.7 per share to an independent third party for proceeds of approximately HK$138,003,000. A gain on disposal of HK$10,756,000 was recognised in profit or loss.

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

	2009 **HK$'000**	2008 HK$'000
Total assets	**93,521**	1,237,313
Total liabilities	**(80,100)**	(921,836)
Net assets	**13,421**	315,477
Group's share of net assets of associates	**5,368**	85,890
Revenue	**60,052**	557,249
Profit (loss) for the year	**5,343**	(4,564)
Group's share of profits and other comprehensive income of associates for the year	**3,365**	7,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2009 **HK$'000**	2008 HK$'000
Listed investments:		
– Equity securities listed in Hong Kong	**132,553**	206,966
– Equity securities listed elsewhere (Note)	**198,804**	222,312
	331,357	429,278
Unlisted investments:		
– Unit trusts	**60,229**	50,934
– Club debentures	**678**	678
	60,907	51,612
Total	**392,264**	480,890
Analysed for reporting purposes as:		
Current assets	**6,522**	124,055
Non-current assets	**385,742**	356,835
	392,264	480,890

Note: The currency of the equity securities listed elsewhere is mainly denominated in TWD (2008: TWD and RMB).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

22. INVESTMENTS HELD FOR TRADING

Investments held for trading include:

	2009	2008
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**1,246,642**	669,130
– Equity securities listed elsewhere (Note)	**279,049**	149,841
	1,525,691	818,971

Note: The currency of the equity securities listed elsewhere is mainly denominated in AUD, USD and MYR for both years and JPY for the year ended 31 December 2009.

As at 31 December 2009, particulars of the Group's investments in the equity securities included in investments held for trading and available-for-sale investments which exceed 10% of the assets of the Group disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	**Place of incorporation**	**Class of shares**	**Number of shares held by the Group**	**Percentage of issued share capital held by the Group**
Allied Properties (H.K.) Limited	Hong Kong	Ordinary	376,140,000	6.18%
APAC Resources Limited	Hong Kong	Ordinary	667,580,000	11.73%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

23. DEBTORS, DEPOSITS AND PREPAYMENTS

The settlement terms of debtors from securities trading are 2-3 days after trade date.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented at the end of the reporting period:

	2009	2008
	HK$'000	HK$'000
Debtors from securities trading	**4,487**	1,096
Other debtors, deposits and prepayments	**23,742**	35,552
	28,229	36,648

There is no allowance for doubtful debts in both years.

24. LOAN RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Fixed-rate loan	**387,425**	162,875
Variable-rate loan	**2,000**	2,000
	389,425	164,875

The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required.

The average interest rate for the fixed-rate loan receivables was approximately 13% (2008: 10%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

24. LOAN RECEIVABLES *(continued)*

The contracted interest rates of the variable-rate loan receivables denominated in HK$ is The Hongkong and Shanghai Banking Corporation Limited ("HSBC") prime rate with effective interest rate of 5% (2008: 6%). Interest is normally repriced every six months.

The loan receivables with a carrying amount of HK$330,485,000 (2008: HK$164,875,000) are secured by certain deposits and unlisted securities which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable as the creditworthiness and the past collection history of each client are satisfactory.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES

The pledged bank deposits represent deposit pledged to banks to secure banking facilities granted to the Group with zero interest rate in current year, while carried fixed interest rate with a range from 0.5% to 3.8% in year 2008.

Bank balances carry interest at market rates with a range from 0.001% to 3.6% (2008: 0.1% to 2.8%).

26. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of creditors presented at the end of the reporting period.

	2009 **HK$'000**	2008 HK$'000
Creditors from securities trading	**12,573**	2,263
Other creditors and accrued charges	**8,342**	67,748
	20,915	70,011

The settlement terms of creditors from securities trading are 2-3 days after trade date.

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For the year ended 31 December 2009

27. OTHER BORROWINGS

The following table provides an analyses of the other borrowings:

	2009 HK$'000	2008 HK$'000
Securities margin loans	**51,565**	489,682
Unsecured term loan	**150,000**	300,000
Secured term loan	**–**	65,000
	201,565	854,682
Carrying amount repayable:		
On demand or within one year	**51,565**	854,682
More than one year, but not exceeding two years	**150,000**	–
	201,565	854,682

(a) Securities margin loans

This represents securities margin financing received from stock broking, futures and options broking house and were secured by certain collateral of the Group as disclosed in note 33. Additional funds or collateral are required if the balance of the borrowings exceeds the eligible margin value of securities pledged to the securities brokers house. The collateral can be sold at the securities brokers house's discretion to settle any outstanding borrowings owed by the Group. The entire loans are secured by the Group's marketable securities as disclosed in note 33, repayable on demand and bear variable interest with a range from 1% to 8.25% (2008: 0.95% to 7%).

(b) Unsecured term loan

As at 31 December 2009, the unsecured term loan is denominated in HK$ bearing fixed interest rate of 6% per annum.

As at 31 December 2008, the Group's unsecured loan was denominated in HK$ bearing variable interest rate (which is also equal to contracted interest rates) with a range from 5% to 5.25% per annum. The unsecured term loan was fully settled during the year.

(c) Secured term loan

As at 31 December 2008, the term loan is denominated was HK$ bearing fixed interest rate of 8% per annum and repaid in April 2009. Pursuant to the loan agreement, the lender has incorporated first floating charge over the undertaking, property and assets of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

28. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments comprise option contracts linked with the equity securities listed in Hong Kong with certain brokers for a period of one year.

29. CONVERTIBLE BONDS

Pursuant to a placing agreement entered into between the Company and Sun Hung Kai International Limited dated 23 November 2008, the Company issued convertible bonds amounting to HK$300,000,000 on 11 February 2009 with maturity of three years. The convertible bonds are denominated in HK$. The convertible bonds entitle the holders to convert them into shares of the Company at any time within 3 years from the date of issue of the convertible bonds, at the conversion price per share of HK$0.75 and at an interest rate of 9% per annum. If the convertible bonds have not been converted, they will be redeemed on 10 February 2012 at par. The Company is allowed to redeem the convertibles bonds since the date of issue to the maturity date, at any time redeem at the price of the 100% of the principal amount of the bond to be redeemed as specified in the redemption notice, together with all interest accrued thereon up to and including the date on which payment of such principal amount of the redeemed bond and the interest accrued thereon shall have been paid by the Company in full.

The convertible bonds contain two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. The equity element is presented in equity under the heading of convertible bonds equity reserve. The effective interest rate of the liability component is 13.74% at the date of initial recognition.

On initial recognition, the transaction cost incurred for the issuance of the convertible bonds was allocated into the liability component and the equity component of HK$8,322,000 and HK$895,000 respectively on pro-rata basis.

The movement of the liability component of the convertible bonds for the year is set out as below:

	HK$'000
Liability component at the issue date	**262,541**
Interest charge	**34,355**
Interest paid	**(14,800)**
Early partial repayment	**(60,000)**
Conversion to ordinary shares	**(4,000)**
As at 31 December 2009	**218,096**

In September 2009, the Company exercised its early redemption option to redeem 20% of convertible bonds for an amount of HK$60,000,000.

In October 2009, the bond holder exercised the conversion options with the principal amount of HK$4,000,000 of the convertible bonds.

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For the year ended 31 December 2009

30. SHARE CAPITAL

		Number of shares		Carrying value	
		2009	2008	**2009**	2008
	Notes			**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each					
Authorised:					
At beginning and end of the year		**30,000,000,000**	30,000,000,000	**300,000**	300,000
Issued and fully paid:					
At beginning of the year		**275,622,494**	276,183,547	**2,756**	2,762
Repurchase of shares	(a)	**–**	(578,000)	**–**	(6)
Issue of shares upon exercise of warrants	(b)	**93,110**	16,947	**1**	–
Issue of shares upon conversion of convertible bonds	(c)	**5,333,333**	–	**53**	–
Issue of shares upon rights issue	(d)	**275,649,760**	–	**2,757**	–
At end of the year		**556,698,697**	275,622,494	**5,567**	2,756

Notes:

(a) Repurchase of shares

During the year ended 31 December 2008, the Company repurchased its own shares through the Stock Exchange as follows:

2008

Month of repurchase	**Number of ordinary shares of HK$0.01 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid**
		HK$	HK$	HK$'000
June 2008	235,000	4.20	4.18	984
September 2008	223,000	1.62	1.16	299
October 2008	120,000	1.20	0.70	94
	578,000			1,377

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For the year ended 31 December 2009

30. SHARE CAPITAL *(continued)*

(a) Repurchase of shares *(continued)*

The repurchased shares were cancelled in prior year and the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase of the shares of HK$1,371,000 has been charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year ended 31 December 2008 were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

(b) Warrants

During the year ended 31 December 2008, 55,236,709 units of warrants in the value of HK$193,328,481.50 were issued on the basis of one warrant for every five outstanding shares held on 26 June 2008. Registered holders of warrants can exercise their rights to subscribe for the ordinary shares of the Company at HK$3.5 per share during the period from 28 July 2008 to 27 July 2009.

The exercise price of the warrants has been adjusted from HK$3.5 to HK$2.63 after the completion of the rights issue by the Company during the year.

During the year, warrants in the value of HK$268,601 (2008: HK$59,315) were exercised their rights to subscribe for 27,266 and 65,844 (2008: 16,947) ordinary shares in the Company at HK$3.5 and HK$2.63 (2008: HK$3.5) per share, respectively. The remaining outstanding warrants were lapsed on 28 July 2009.

(c) Convertible bonds

During the year ended 31 December 2009, the holders of the convertible bonds have converted part of the convertible bonds into 5,333,333 ordinary shares of HK$0.01 each in the Company at a conversion price of HK$0.75 per share. These new shares rank pari passu with the then existing shares is issue in all respects.

(d) Rights issue

During the year ended 31 December 2009, the Company allotted and issued 275,649,760 shares by way of rights issue at a subscription price of HK$0.40 per share for every existing share then held. These new shares rank pari passu with the then existing shares is issue in all respects.

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31. RESERVES

Properties revaluation reserve

	2009	2008
	HK$'000	HK$'000
At 1 January	**7,200**	5,036
Surplus on transfer from prepaid lease payments to investment properties at fair value	**–**	2,214
Surplus (deficit) on revaluation of buildings	**410**	(50)
At 31 December	**7,610**	7,200

Note: At 31 December 2009, the balance of properties revaluation reserve included surplus of HK$5,456,000 (2008: HK$5,456,000), arising from revaluation of prepaid lease payments on transfer of prepaid lease payments to investment properties carried at fair value.

Investment revaluation reserve

	2009	2008
	HK$'000	HK$'000
At 1 January	**203,973**	720,879
Gain (loss) on fair value changes of available-for-sale investments	**163,485**	(514,802)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	**(119,344)**	(2,104)
At 31 December	**248,114**	203,973

Translation reserve

	2009	2008
	HK$'000	HK$'000
At 1 January	**15,848**	9,036
Share of other comprehensive income of associates	**–**	3,459
Exchange gain arising from translation of foreign operations	**452**	3,353
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of an associate	**(9,406)**	–
At 31 December	**6,894**	15,848

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For the year ended 31 December 2009

32. DEFERRED TAXATION

	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	3,089	(3,089)	–
Effect of change in tax rate	(177)	177	–
(Credit) charge to consolidated income statement for the year	(1,076)	1,076	–
At 31 December 2008	1,836	(1,836)	–
Charge (credit) to consolidated income statement for the year	1,266	(1,266)	–
At 31 December 2009	3,102	(3,102)	–

At 31 December 2009, the Group has estimated unused tax losses of approximately HK$2,086 million (2008: HK$2,617 million), for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$18.8 million (2008: HK$11.1 million) of such losses. No deferred tax asset has been recognised in respect of remaining estimated tax losses of approximately HK$2,067 million (2008: HK$2,606 million) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

33. PLEDGE OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to banks and securities brokers house to secure credit facilities:

	2009 HK$'000	2008 HK$'000
Investments held for trading	**962,510**	773,077
Available-for-sale investments	**240,227**	108,323
Pledged bank deposits	**9,151**	1,167
	1,211,888	882,567

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For the year ended 31 December 2009

34. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2008, dividends of HK$114,632,000 received from Printronics, an associate of the Group, were settled by receipt of 20,659,852 ordinary shares of Tianjin Printronics Circuit Corp. listed on The Shenzhen Stock Exchange.

35. LEASE COMMITMENTS

The Group as lessee

	2009	2008
	HK$'000	HK$'000
Minimum lease payments paid under operating leases in respect of premises	**1,898**	1,966

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

	2009	2008
	HK$'000	HK$'000
Within one year	**1,898**	1,898
In the second to fifth year inclusive	**791**	2,689
	2,689	4,587

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated and rentals are fixed for a lease term of four years.

The Group as lessor

Property rental income earned during the year was approximately HK$3,358,000 (2008: HK$4,006,000). The properties held have committed tenants for a lease term of two years.

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For the year ended 31 December 2009

35. LEASE COMMITMENTS *(continued)*

The Group as lessor *(continued)*

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**2,363**	3,076
In the second to fifth year inclusive	**8**	2,228
	2,371	5,304

36. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The retirement benefits scheme contributions charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group or will be refunded to the Company upon request.

In addition to the defined contribution retirement benefits scheme, the Group is required to contribute to Mandatory Provident Fund for certain employees in Hong Kong based on applicable rates of monthly salary in accordance with the relevant regulations.

During the year, the retirement benefits scheme contributions charged to consolidated income statement were HK$1,447,000 (2008: HK$147,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

37. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Directors which is the key management of the Group during the year was as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other short-term employee benefits	**3,365**	3,365
Retirement benefits costs	**36**	36
	3,401	3,401

The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

38. ACQUISITION OF SUBSIDIARIES

On 4 September 2009, the Group entered into a sale and purchase agreement (the "S&P") with an independent third party to acquire the entire issued share capital of Pacific Orchid Investment Limited ("Pacific Orchid"). Pacific Orchid is an investment holding company with a sole asset being the 68.72% equity interest in Greenfield, for a total consideration of HK$281,250,000 ("Acquisition"). Completion of the Acquisition took place immediately after the signing of the S&P. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$7,612,000. The Group is required under the rules of the Hong Kong Code on Takeovers and Mergers to make a mandatory general cash offer ("General offer") to acquire the remaining shares of Greenfield not already owned. Under the General offer, the Group acquired additionally 4.95% equity interest in Greenfield with an goodwill of approximately HK$74,000 arisen in October 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

38. ACQUISITION OF SUBSIDIARIES *(continued)*

The net assets acquired in the transaction, and the goodwill arising, are as follows:

NET ASSETS ACQUIRED:

	Acquiree's carrying amount before combination and fair value HK$'000
Prepaid lease payments	14,000
Property, plant and equipment	76,999
Interest in associates	93,693
Available-for-sale investments	10
Loan receivables	159,055
Deferred tax assets	163
Inventories	21,968
Debtors, deposits and prepayments	83,616
Advance to an associate	14,387
Taxation recoverable	4,365
Bank balance and cash	142,072
Creditors and accrued charges	(38,119)
Taxation payable	(6,910)
	565,299
Minority interest	(291,661)
Goodwill	7,612
Total consideration	281,250
Satisfied by:	
Cash consideration paid	281,250
Net cash inflow arising on acquisition:	
Cash consideration	(281,250)
Bank balances and cash acquired	142,072
	(139,178)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

38. ACQUISITION OF SUBSIDIARIES *(continued)*

Pacific Orchid Investments Limited and its subsidiaries contributed HK$71,355,000 to the Group's revenue which is included in the profit from discontinued operation and HK$24,952,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, total group revenue for the period would have been HK$246,810,000, and profit for the period would have been HK$1,120,048,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

39. DISPOSAL OF A SUBSIDIARY

The Group disposed of an aggregate of 15.76% equity interests in Greenfield in October and November 2009, of which approximately HK$21,694,000 gain on dilution of shareholding was recognised in consolidated income statement and approximately HK$1,644,000 goodwill was released.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. DISPOSAL OF A SUBSIDIARY *(continued)*

On 9 December 2009, the Group further disposed 51.31% equity interests in Greenfield, which carried out all of the Group's manufacturing and trading of paints and related products, at a consideration of HK$294,000,000 to an independent third party. After the disposal, the Group's remaining equity interest in Greenfield is 6.60%. As a result, the Group is no longer in a position to exercise control or significant influence over Greenfield. The carrying amount of HK$27,038,000 of the Group's investment in Greenfield as at 9 December 2009 has been regarded as cost as available-for-sale investments. From the date on which the Group ceased to have control or significant influence, its investment in Greenfield has been measured at fair value. Pursuant to the sale and purchase agreement, the Company and Pacific Orchid represent and warrant to the purchaser of Greenfield that the accounts and loan receivables of Greenfield is recoverable.

	HK$'000
NET ASSETS DISPOSED OF	
Prepaid lease payments	13,911
Property, plant and equipment	74,033
Interest in associates	110,047
Available-for-sale investments	10
Loan receivables	159,055
Deferred tax assets	163
Inventories	21,938
Debtors, deposits and prepayments	81,679
Advance to an associate	17,018
Taxation recoverable	1,180
Bank balance and cash	152,945
Creditors and accrued charges	(37,601)
Taxation payable	(4,024)
	590,354
Minority interest	(351,953)
Attributable goodwill	6,042
Reclassified as available-for-sale investments	(27,038)
Gain on disposal	76,595
Total consideration satisfied by cash	294,000
Net cash inflow arising on disposal:	
Cash consideration	294,000
Bank balances and cash disposed of	(152,945)
	141,055

The impact of Greenfield on the Group's results and cash flows in the current year is disclosed in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Details of the statement of financial position of the Company as at the reporting date are as follows:

	2009	2008
	HK$'000	HK$'000
Total assets	**1,213,434**	999,110
Total liabilities	**(598,893)**	(484,594)
	614,541	514,516
Capital and reserves		
Share capital	**5,567**	2,756
Reserves	**608,974**	511,760
	614,541	514,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Country/place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2009 & 2008	Principal activities
Directly held				
Besford International Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Classic Fortune Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Mission Time Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Rise Cheer Investments Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Star Paging (BVI) Limited	The British Virgin Islands	Ordinary US$400	100%	Investment holding
Yuenwell Holdings Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Indirectly held				
China Online (Bermuda) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
China Online Nominees Limited	Hong Kong	Ordinary HK$200	100%	Investment holding and provision of nominee services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2009 & 2008	Principal activities
Indirectly held *(continued)*				
China Online Secretaries Limited	Hong Kong	Ordinary HK$2	100%	Provision of secretarial services
Focus Clear Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in Hong Kong
Forepower Limited	The British Virgin Islands	Ordinary US$1	100%	Property investment in Hong Kong
Future Rise Investments Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading in overseas
Genwo Limited	Hong Kong	Ordinary HK$200,000	100%	Property investment
Gold Chopsticks Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Honest Opportunity Limited	The British Virgin Islands	Ordinary US$1	100%	Securities trading and investment in Hong Kong and overseas
Join Capital Limited	Hong Kong	Ordinary HK$2	100%	Money lending
Keentime Investments Limited*	The British Virgin Islands	Ordinary US$2	50%	Securities trading in Hong Kong
Kintic Limited	Hong Kong	Ordinary HK$2	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2009 & 2008	Principal activities
Indirectly held *(continued)*				
Konnic Limited	Hong Kong	Ordinary HK$2	100%	Property investment
Pacific Orchid Investments Limited***	The British Virgin Islands	Ordinary US$10,000	100%	Investment holding
Sparkling Summer Limited	The British Virgin Islands	Ordinary US$6,500,000	100%	Securities trading in Hong Kong and overseas
Star Telecom (China Investment) Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Star Telecom Holding Limited	Hong Kong	Ordinary HK$200 Deferred# HK$4,000,000	100%	Investment holding
Star Telecom Properties Limited	Hong Kong	Ordinary HK$200	100%	Investment and property holding
Success East Investment Limited****	Hong Kong	Ordinary HK$280,000,000	81%	Securities trading and investment in Hong Kong
Taskwell Limited	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Tricom Tianchi Limited	Hong Kong	Ordinary HK$2	100%	Investment holding

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Country/place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2009 & 2008	Principal activities
Indirectly held *(continued)*				
True Focus Limited***	The British Virgin Islands	Ordinary US$1	100%	Investment holding
Vinka Limited	Hong Kong	Ordinary HK$2	100%	Investment holding
Widerich Limited	Hong Kong	Ordinary HK$2	100%	Property investment
星電電子技術發展(深圳)有限公司**	The PRC	Registered HK$1,000,000	100%	Inactive

\# The deferred shares, which are not held by the Group, practically carry no rights to any dividend or to receive notice of or to attend or vote at any general meeting of the company or to any distribution in winding up.

* The Group is able to control the voting power at all general meetings of Keentime Investments Limited, accordingly, Keentime Investments Limited is accounted for as a subsidiary of the Company.

** Wholly foreign-owned enterprise.

*** The Company is acquired during the year ended 31 December 2009.

**** The Company is newly set up during the year ended 31 December 2009.

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

All subsidiaries operate principally in their places of incorporation unless specified otherwise under "Principal activities".

None of the subsidiaries had any debts securities subsisting at 31 December 2009 and 31 December 2008 or at any time during the respective years.

FINANCIAL SUMMARY

The results and the assets and liabilities of the Group for the past five financial years, as extracted from the Group's published audited consolidated financial statements and reclassified as appropriate, are set out below:

RESULTS

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Revenue					
Continuing operations	156,777	1,162,742	2,289,440	660,308	**1,115,002**
Discontinued operation	66,309	67,098	7,681	–	**71,355**
	223,086	1,229,840	2,297,121	660,308	**1,186,357**
Profit (loss) before taxation					
Continuing operations	106,490	788,754	1,560,048	(2,806,060)	**931,651**
Discontinued operation	(1,883)	(4,710)	(1,501)	–	**124,449**
	104,607	784,044	1,558,547	(2,806,060)	**1,056,100**
Taxation (charge) credit	(99)	(11,527)	(175,900)	2,377	**(15,066)**
Profit (loss) for the year	104,508	772,517	1,382,647	(2,803,683)	**1,041,034**
Attributable to:					
Owners of the Company	104,511	772,468	1,378,824	(2,799,811)	**1,025,401**
Minority interests	(3)	49	3,823	(3,872)	**15,633**
	104,508	772,517	1,382,647	(2,803,683)	**1,041,034**

ASSETS AND LIABILITIES

	At 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Total assets	1,456,311	2,748,458	5,311,251	1,817,576	**2,597,422**
Total liabilities	(154,581)	(332,564)	(1,206,932)	(1,037,235)	**(561,515)**
	1,301,730	2,415,894	4,104,319	780,341	**2,035,907**
Equity attributable to owners of the Company	1,284,932	2,399,047	4,100,447	780,341	**1,982,736**
Minority interests	16,798	16,847	3,872	–	**53,171**
	1,301,730	2,415,894	4,104,319	780,341	**2,035,907**