2009

Annual Report

TECHNOLOGIES
UNIVERSAL

Universal Technologies Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8091

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Universal Technologies Holdings Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Highlights of the Year

- Turnover for the year ended 31 December 2009 amounted to approximately HK$86.97 million (2008: HK$75.15 million), representing an increase of approximately 16% over the last fiscal year.

- At 31 December 2009, the Group had net current assets of approximately HK$77.16 million (2008: HK$57.38 million), including cash and bank balances of approximately HK$128.72 million (2008: HK$63.23 million).

- At 31 December 2009, the Group had total assets of approximately HK$392.24 million (2008: HK$287.24 million).

- Net profit attributable to shareholders of the Company for the year ended 31 December 2009 was HK$28.48 million (2008: HK$22.43 million), representing an increase of approximately 27% over the last fiscal year. The main reason for the increase in net profit was attributable to the significant increase in turnover of payment solutions business and timber trading and furniture manufacturing business.

- Basic and diluted earnings per share for the year ended 31 December 2009 amounted to approximately HK1.89 cents and HK1.89 cents respectively (2008: HK1.52 cents and HK1.52 cents respectively).

- The Board of Directors has resolved to recommend a final dividend of HK0.39 cents per share for the year ended 31 December 2009, amounting to approximately HK$5.87million (2008: HK$Nil).

Corporate Information

BOARD OF DIRECTORS

Executive Directors:
Lau Yeung Sang *(Chairman)*
Liu Ruisheng
Luan Yumin
Ren Lili

Non-Executive Director:
Chow Cheuk Lap

Independent Non-Executive Directors:
Meng Lihui
Wan Xieqiu
Fong Heung Sang
Liu Ji

COMPANY SECRETARY

Tang Chi Wai

COMPLIANCE OFFICER

Lau Yeung Sang

AUDIT COMMITTEE

Meng Lihui *(Chairman)*
Wan Xieqiu
Fong Heung Sang
Liu Ji

AUTHORISED REPRESENTATIVES

Lau Yeung Sang
Tang Chi Wai

AUDITOR

PKF
Certified Public Accountants

WEBSITE

www.uth.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 231-233, Building 2, Phase 1
No. 1 Science Park West Avenue
Hong Kong Science Park, Shatin
New Territories
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands
British West Indies

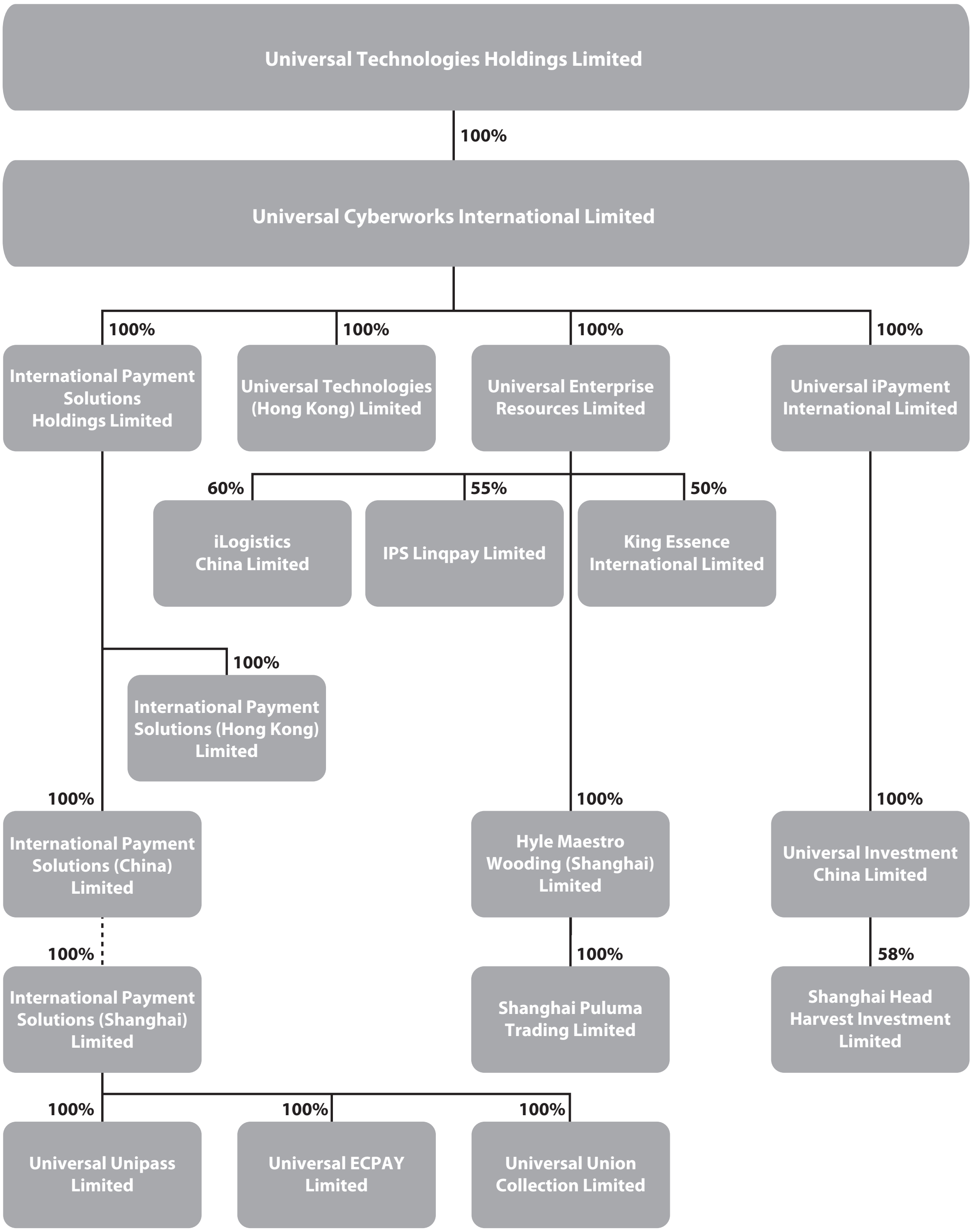
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-16, 17th Floor, Hopewell Centre
183, Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKER

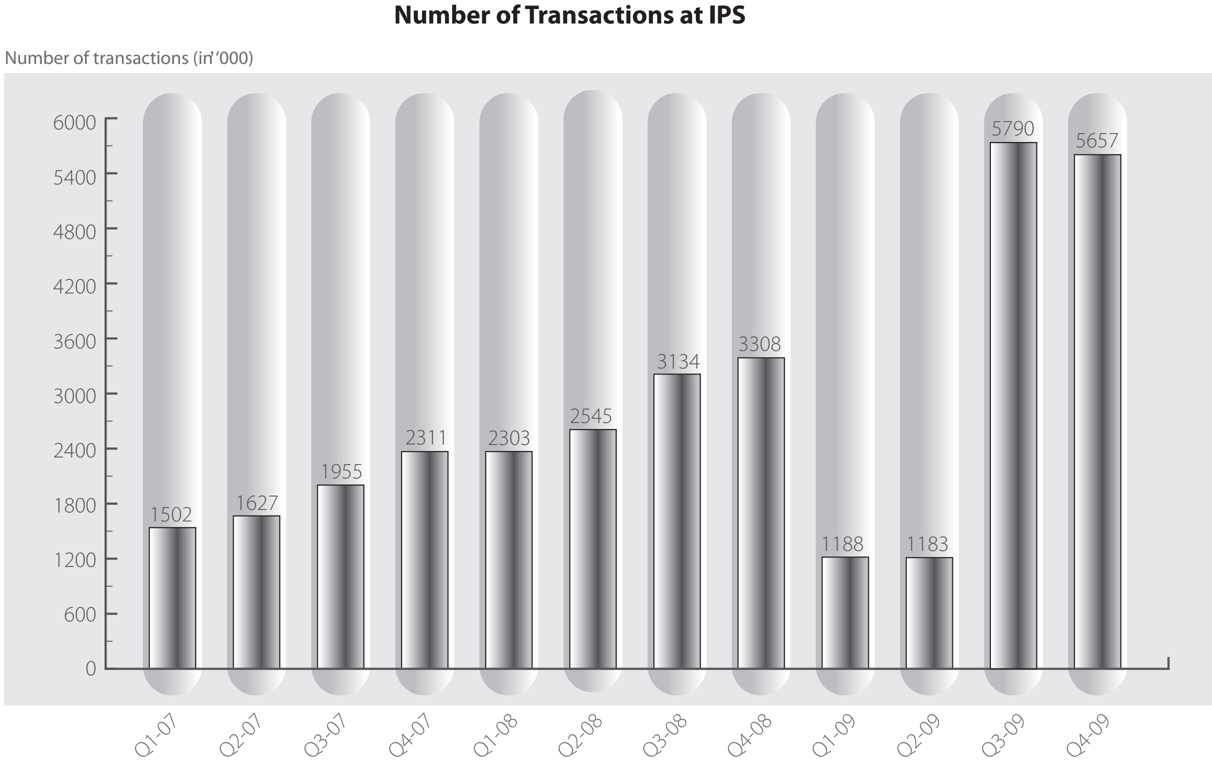
Standard Chartered Bank

Corporate Structure



Transaction Performance

Quarterly Transaction Performance for the Past 3 Years (2007 to 2009)



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual report of the Company and its subsidiaries for the year ended 31 December 2009.

REVIEW

This was a challenging year for the Board of Directors. In reflection of the events of 2009, I believe our efforts can best be summarized in two words – "Steadfast" and "Surpass".

This year, the Group's determination to succeed was evident in all our endeavors.

We were steadfast in our commitment to excel. With the continued downturn of the economy, we experienced a sharp decline in business in our first quarter. This did not deter us from doubling our efforts, and as a result, we were pleased to see that our performance in each quarter exceeded expectations. Although our business declined in comparison to first quarter of last year, both revenue and net profit of the Group was at an all time high.

We were steadfast in the Group's strategic direction. In 2009, many of the subsidiaries had to review their strategies and development plans; however, we continued to focus on our core businesses of online payments and timber. Shanghai continued to be the base for our Mainland China operations supported by our Beijing and Shenzhen offices. At the same time, Hong Kong was responsible for the development of international business outside of China. We also concentrated our efforts on human resource development to ensure that our manpower requirements were sufficiently met. In the 2009 fiscal year, the Group's Hong Kong operations and timber business achieved an all time high in performance.

We were steadfast in maintaining our corporate values based on our FISHER principles of "Fast", "International", "Share", "Hostly", "Executive" and "Result-oriented". These core values have been continuously demonstrated by our staff and reflected in their thoughts and actions and have helped us to gear up for the tough economic climate in 2009.

This year, the Group has exceeded our expectations in many areas.

We have surpassed our historical achievement. Total assets, net assets, total revenue and net profit are higher than in all previous years. This is a notable achievement given the weak public confidence in the economy in 2009.

We have surpassed the negative impact of the economic downturn. With the Central Government's support and involvement, China's GDP grew by 8%. However, the Group achieved a strong double-digit growth for 2009. Through a series of innovative strategies, our timber business introduced modern management concepts in a traditional business environment, integrated traditional Shanghai style with high-end luxury design for furniture product lines and using a Fast Moving Consumer Goods business model to achieve a high inventory turnover. All these efforts have received praises from our customers and it gives us the confidence to continue in this direction for the future. In 2009, e-commerce payments are growing in popularity and industry innovations. We are presently developing our blueprint to capitalize on this trend.

Chairman's Statement

We surpass our own limitations and abilities. For instance, we have accomplished our ambitious construction project of building our new corporate headquarters in the centre of Shanghai city. We were successful in our tender as the payment partner for one of the biggest telecom groups in China. We hosted the meeting with the People's Bank of China and the Shanghai Government to explore for the first time the development of compliance standards for the payment industry. All these accomplishments have made 2009 a special milestone for the Group. We have proved that in maintaining our vision for the future, we are able to go beyond our capabilities and imagination.

PERSPECTIVE

2010 will coincide with the tenth anniversary of our Group's operations in China. Ten years is undoubtedly an important milestone in any business. In moving ahead, we have to be ready to meet the challenges of the future. As we have been steadfast and surpass our expectations in the first 10 years, our next 10 years, will be inspired by "innovation" and "breakthroughs".

In the future, innovation will be the key to our success as we continue to enhance our competitive edge in the long term. We will forgo short term gains for long term sustainable development and growth. We will look at market expansion beyond our current network and broaden our presence into new regions and possibly on a global scale. We will take a similar approach in diversification. We will look at innovative ways to diversify our products and services yet in a manner that will produce synergy between all our business units. This will be reflected in our future implementation of any changes in our organization structure, human resource management, financial management and product portfolio.

We will renew our efforts to breakthrough to a new future.

The first will be a breakthrough in our competitive environment. In 2010, we will move ahead on an accelerated pace. We will do this with greater intensity and investing more resources to gain a strong foothold on a larger market environment. This may mean forgoing short term financial gains but this breakthrough will bring greater opportunities in the future. From Small and Medium Enterprise to medium and on to being a large enterprise in the future, the Board of Directors and the Group's management team are primed to increase the strength of the Group to meet the demands of the future and ensure the success of the Group's businesses.

A WORD OF THANKS

All our achievements and successes can be forgotten, but we can never forget the support of our shareholders and the efforts of our colleagues and partners. On behalf of the Board of Directors, I would like to take this opportunity to express our gratitude to our shareholders, business partners and stakeholders for their support and would like to express my heartfelt thanks to the management and all staff for their efforts and commitment in contributing to the success and future of the Group.

Lau Yeung Sang
Chairman

Hong Kong, 19 March 2010.

Management Discussion and Analysis

FINANCIAL OVERVIEW

During the current fiscal year, the Group recorded a turnover of approximately HK$86,973,000, representing an increase of approximately 16% as compared to the last fiscal year. The profit attributable to shareholders of the Company was HK$28,478,000 in the current year, representing an increase of approximately 27% as compared to the last fiscal year. The increase in turnover is mainly due to the major growth of the Group's payment solution business, timber trading and furniture manufacturing business. The significant increase in net profit is benefited from the growth of turnover and efficient cost control. The growth of turnover is attributable to our staff's hard working, flexibility, creativity, and strategic persistency.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2009, the Group had net current assets of approximately HK$77,162,000. Current assets comprised inventories of approximately HK$16,008,000, debtors of approximately HK$13,538,000, trade deposits of approximately HK$4,973,000, other deposits, prepayments and other receivables of approximately HK$18,860,000, amounts due from related companies of approximately HK$13,000, financial assets at fair value through profit or loss of approximately HK$1,109,000, prepaid land lease premium of approximately HK$1,555,000, tax recoverable of approximately HK$7,000 and cash and bank balances of approximately HK$128,724,000.

Current liabilities comprised bank loans of approximately HK$15,926,000, trade payable of approximately HK$1,000, payable to merchants of approximately HK$75,213,000, deposits received, sundry creditors and accruals of approximately HK$16,451,000, amount due to a director of approximately HK$29,000 and amount due to an associate of approximately HK$5,000.

The gearing ratio (defined as a percentage of total liabilities over total assets) of the Group at 31 December 2009 was 35% (2008: 20%).

The Board considers that the Group's existing financial resources are sufficient to fulfill its commitments, current working capital requirements and further development. In the long term, the Board believes that the Group will continue to fund its foreseeable expenditures through cash flow from operations. However, for a more massive scale of expansion and development, debt or equity financing may be required.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

REVIEW

In this year, our Group was able to achieve the goal which we set last year to prepare ourselves for the opportunities ahead. We strengthened our internal systems, enhanced our quality levels and established a faster response time for implementation. Our Group's various operations have performed beyond the set financial indicators and recorded both a double digit growth and record high in total assets, net assets, total revenue and net profit.

We focused on the payment business this year to pursuit steady development and achieved a breakthrough in our operations. Firstly, increase in transaction volume, number of new merchant accounts, new memberships, new products or services, brand awareness, close cooperation with Government departments, income and net profit, showed that our payment business continued to grow at a consistent pace. Secondly, our payment products and solutions, SinoPay, ICpay, SimplePay, IMpay and CAT etc, have been enhanced with more comprehensive risk control measures to achieve better value-added services for our customers. Furthermore, in this year, we have targeted a few key industries, such as trading companies, travel agencies, etc, to achieve more rapid business growth. Thirdly, through a series of marketing initiatives we have achieved co-operation with payment industry associations, banks, Government departments etc to strengthen our brand presence and provide a better user experience for our customers. Fourthly, we were very successful this year in establishing strategic partnerships with domestic banks, international card organizations, winning the tender with China Unicom and increasing our business in the Airlines industry. Fifthly, we focused on risk control and compliance issues, by establishing regular communication with government departments to improve our risk-control protocols and strengthening our risk control capabilities within our proprietary anti-fraud systems to provide customers a more secure method of payment. Moreover, we received awards for risk control management from VISA for 'The Best Payment Gateway Risk Control' and 'The Best Risk Control' by MasterCard. We were the only online payment company in China received these prestigious awards which were the highest awarded by both card organizations. On the other hand because of electronic payment and related laws are still under review due to different point of views with regard to corporate social responsibilities, we strengthened our compliance practice and continuously educated the market in order to achieve a more standardized, orderly and regulated environment in the payment industry. Sixthly, we were very pleased with the rapid business development achieved by all our business units especially, Hong Kong which contributed significantly to the Group's overall performance. Furthermore, we have explored various avenues of electronic payments, including potential new products and services that are in line with our development strategy for the future, including, remittance services for future implementation.

The business development strategy for timber business was clearly defined. We focused on strengthening and innovating the business. As a result, this lessened the impact of the financial crisis and we were able to achieve record levels of net profit and the highest inventory turnover rate in the industry. Firstly, we maintained and strengthened the processing of raw materials in our Indonesian Resources Centre and resulted in cost reductions and enabled the woods and semi-finished furniture to maintain a competitive edge. Secondly, we changed our strategy in supply chain management and distribution channel by using modern mass production instead of traditional workshop business model. In the short term, we have produced low-cost and high-quality products making us very competitive in the market place. At the same time, we are building a brand recognized for using modern methods to manage timber resources and used this opportunity to introduce our high-end furniture brand "Heritage Mode" this year. The brand has gradually gained recognition and attracting loyal customers will become the basis for the future growth of business.

Management Discussion and Analysis

The construction of our new Group headquarters in Shanghai, Universal Enterprise Building has been successfully completed and we expect to move there in the first quarters. Simultaneously, we begun to explore new projects in real estate development which we estimate will have great market potential.

This year the Group has continued to explore new business ventures which will bring synergy to our existing businesses and provide us the opportunities to expand both laterally and vertically.

PROSPECTIVE

This year is the 10th Anniversary of our Group's operations in China. We believe that the experience accumulated over the last decade will bring us to greater heights as we establish a strong foundation to achieve solid growth over the next decade.

For payments business, keen competition has occurred. We estimate that the transaction volume is on the increase, the market price may reduce. Therefore, we believe that innovation of our products and services will open new opportunities for us next year. Firstly, from our experience in the past, we will enhance the existing payment products so as to provide a product portfolio of payment solutions for different industries. In this year, we will upgrade our existing payment platform, including hardware and software upgrade. In order to bring about the best innovation possible, we will base our development strategies on market research findings. Furthermore, we will strengthen strategic cooperation and alliances with related businesses and companies within the industry. Whatever innovative developments plans we intend to carry out, we will do so with strict accordance to regulatory standards and also in consultation with relevant government bodies to solicit support for our businesses. We intend to strengthen our talent pool by recruiting more and better qualified staff. In conclusion, we estimate that capital expenditure and expenses will be increased and it will affect our financial indicators in the short term. However, the lack of such expertise will also impact the progress of our development plans. If necessary, we cannot rule out to ask Board of Directors to increase capital investment in order to maintain sustainable development.

The strategy for the timber business is becoming increasingly clear to us. Our focus will be to move our timber business from a traditional business to a modern enterprise. On one hand, we will maintain the cost and quality control for raw materials and consider moving parts of production to Indonesia to take advantage of the low labor cost. We hope this strategy can give us a price advantage and increase our market share. At the same time, we will expand our distribution network and we target to become one of the biggest wood product suppliers in Eastern China. We also plan to open new branches nation-wide and internationally within the next five years. Meanwhile, we will continue to enhance our brand awareness and achieve sales volume increase.

Investing in the construction of the new Group headquarters will give us the opportunity to integrate our resources under one roof. We hope to apply this concept to our other business entities as well in the future.

Ten years is a successful milestone but it also marks a new beginning for the Group. We are ready to move forward to face the many challenges ahead and our goal is to achieve even more in the next decade.

Management Discussion and Analysis

EMPLOYEES

At 31 December 2009, the total number of employees of the Group was 297 (2008: 220). The dedication and contribution of the Group's staff during the year are greatly appreciated and recognized.

Employees (including directors) are remunerated according to their performance and working experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employee by reference to the Group's performance as well as the individual's performance.

In addition, the Group also provides social security benefits to its staff such as Mandatory Provident Fund Scheme in Hong Kong and the pension scheme in PRC.

TREASURY POLICIES

The Group adopted a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the current fiscal year, the Group injected capital of RMB50,000,000 to International Payment Solutions (Shanghai) Limited ("IPSSH"), a subsidiary of the Group to enlarge its share capital. The registered capital of IPSSH increased from RMB50,000,000 to RMB100,000,000. The Group believes the registered capital increment is in line with the growth of online payment business, and the investment will enhance the competitiveness of IPSSH.

During the current fiscal year, the Group injected capital of RMB5,000,000 to Universal ECPAY Limited ("ECPAY"), a subsidiary of the Group to enlarge its share capital. The registered capital of ECPAY increased from RMB5,000,000 to RMB10,000,000. The Group believes the registered capital increment is in line with the growth of internet based remittance business, and the investment will enhance the competitiveness of ECPAY.

On 7 December 2009, the Group acquired the entire equity interest in Universal Union Collection Limited ("UUC"), a company incorporated in the PRC and not yet commenced business. The consideration for the acquisition amounted to RMB1,000,000. The acquired business did not contribute any revenue and net profit/loss to the Group for the period from 7 December 2009 to 31 December 2009.

Details of the assets and liabilities arising from the above acquisitions are set out in note 33 to the financial statements.

The Group acquired a land located in Shanghai in 2008. The Group developed the land into headquarters building with 6-storey over ground and 1-storey under ground during the current fiscal year. The capital expenditure incurred for the land development is around HK$40 million.

Management Discussion and Analysis

CHARGES ON GROUP'S ASSETS

At 31 December 2009, the property held under medium-term lease with a net book value of HK$1,808,000 (2008 : HK$1,859,000), the construction in progress with a net book value of HK$39,641,000 (2008 : HK$Nil) and the prepaid land lease premium with a net book value of HK$77,731,000 (2008 : HK$3,970,000) were pledged to banks to secure banks loans granted to subsidiaries of the Group.

At 31 December 2009, no time deposit was pledged as collateral for a service contract with a customer of a subsidiary of the Group (2008 : HK$800,000).

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no detailed future plans for material investment or capital assets at 31 December 2009.

CURRENCY RISK

Currently, the market anticipates moderate appreciation pressure on Renminbi. The Group has not implemented any formal policy in dealing with this foreign exchange risk. However, in view of the fact that the Group's core business is mainly transacted in Renminbi and significant portion of assets are denominated in Renminbi, the exposure of the Group's risk from exchange rate fluctuation was minimal. For the year ended 31 December 2009, the Group did not enter into any arrangement to hedge its foreign exchange exposure.

CONTINGENT LIABILITIES

The Directors consider that the Group had no contingent liabilities at 31 December 2009.

Directors, Senior Management and Consultants

DIRECTORS

Executive Directors

Mr. Lau Yeung Sang

Mr. Lau, aged 63, is one of the founders, the Chairman of the Board and an executive director of the Group. Mr. Lau is responsible for the overall strategic planning and coordination of all the directors and key management of the Group. He has over 30 years experience in the business operation in the PRC. Mr. Lau is the brother of Mr. Liu Ruisheng, an executive director of the Company.

Mr. Liu Ruisheng

Mr. Liu, aged 65, is an executive director of the Group. Mr. Liu is mainly responsible for the overall strategic planning of the Group. Mr. Liu is a businessman in the PRC, with years of solid experiences gained from e-commerce related companies in the PRC. Mr. Liu is the brother of Mr. Lau Yeung Sang, the Chairman of the Board and an executive director of the Company. Mr. Liu joined the Group in March 2004.

Madam Luan Yumin

Madam Luan, aged 33, holds a Bachelor Degree of Human Resource from Nanjing University of Science and Technology. Before joining the Group, Madam Luan was the human resources supervisor in AMD. She has assumed the office of human resources manager, business executive and senior management since she joined the Group in 2001. With a profound understanding of the market and business pattern of payment industry and experience, Madam Luan does a great job in expanding business while handling the risks well under control.

Madam Ren Lili

Madam Ren, aged 29, graduated from China University of Political Science and Law. Prior to joining the Group, Madam Ren has worked for domestic and foreign listed companies in legal aspects. Madam Ren has extensive professional knowledge and practical experience in legal compliance and business modeling. Madam Ren has been with the Group for more than 5 years. She has served in various capacities within the Group overseeing corporate risk management, compliance, investment and financing and investor relations. She has played a major role in developing the company's overall strategy and monitoring the development and implementation of those strategies.

Non-Executive Director

Mr. Chow Cheuk Lap

Mr. Chow, aged 58, is a Solicitor in Hong Kong. He graduated from University of London with a Bachelor of Economics. Mr. Chow has more than 20 years experience in civil litigation and commercial matters. He is currently a partner of Messrs. C.L. Chow & Macksion Chan, Solicitors.

Directors, Senior Management and Consultants

Independent Non-Executive Directors

Mr. Meng Lihui

Mr. Meng, aged 47, is currently a General Manager of a company jointly established by several professors of Shanghai Fudan University, the PRC. The principal activity of the company is provision of consultancy services on ecological environment protection to both private companies and local government authorities in various cities in the PRC. Mr. Meng graduated from Shanghai Fudan University with a bachelor degree of Economics.

Mr. Wan Xieqiu

Mr. Wan, aged 54, is currently a professor and the Dean of School of Finance in Suzhou University. Mr. Wan also acts as a committee member of the Economic Committee, the Financial Committee and the Taxation Committee respectively of Jiangsu Province in the PRC.

Mr. Fong Heung Sang

Mr. Fong, aged 50, is a certified public accountant in the United States of America. He has extensive experience in corporate finance, accounting and auditing. Mr. Fong worked for international accounting firms and a number of public listed companies for more than 20 years. From December 2006 to January 2009, Mr. Fong served as an Executive Vice President of Corporate Development of Fuqi International, Inc. (whose shares are listed on Nasdaq). Mr. Fong is now the Chief Financial Officer and a director of Apollo Solar Energy, Inc. (whose shares are quoted on the OTC Bulletin Board in the United States of America). He is an independent director and chairman of audit committee of Zhejiang Kandi Vehicles Co., Ltd. (whose shares are listed on Nasdaq) and Diguang International Development Company Limited (whose shares are quoted on the OTC Bulletin Board in the United States of America). He is also an independent director and audit committee member of Zhaoheng Hydropower Company Limited (whose shares are quoted on the OTC Bulletin Board in the United States of America). Mr. Fong holds a master degree in Business Administration and a master degree in Accountancy.

Mr. Liu Ji

Mr. Liu, aged 74, is the Honorary President of China Europe International Business School in Shanghai. He holds the posts of Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School since 1993. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing. Currently, Mr. Liu is also an independent non-executive director and an audit committee member of First Shanghai Investments Limited (whose shares are listed on the Main Board operated by The Stock Exchange of Hong Kong Limited, Stock Code: 227).

Directors, Senior Management and Consultants

SENIOR MANAGEMENT

Mr. Tang Chi Wai

Mr. Tang, aged 36, is the qualified accountant, the company secretary and one of the authorized representatives. Mr. Tang joined the Group as Financial Controller in June 2008. Mr. Tang is a fellow member of the Hong Kong Institute of Certificate Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Mr. Tang has over 10 years experience in auditing, accounting and financial management.

CONSULTANTS

Mr. Zhang Wei Dong

Mr. Zhang, aged 46, is the Investment Consultant of the Group. He holds an MA from Renmin University and a Diploma of PMD from Harvard Business School. He has about 10 years of investment banking experience, and served as the managing director and the head of corporate finance & China sales at ICEA and Alpha Alliance Finance respectively. He has worked in the foreign branches and the headquarters of ICBC for over 10 years and has served as the deputy division chief and division chief. He has taken charge of listing H-Share and Red Chip enterprises on HKSE, e.g. TravelSky Technology Ltd., Xin' Ao Gas Holdings Ltd., Hi Sun Technology Ltd., etc. He serves as the deputy CEO in OP Financial Investments Ltd, assisting CEO in private equity investment and operation management. Mr. Zhang was invited to be the Group's Investment Consultant in March 2005.

Directors' Report

The directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 17(a) to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Company and of the Group at 31 December 2009 are set out in the financial statements on pages 30 to 101.

The Board has resolved to recommend a final dividend of HK0.39 cents per share (2008: HK$Nil) for 2009. The proposal to declare and pay this final dividend will be submitted to the annual general meeting to be held on 7 May 2010 (the "2009 AGM") for the approval of the shareholders.

FINANCIAL SUMMARY

The summary of the consolidated results of the Group for the period ended 31 December 2005 and each of the four years ended 31 December 2009 and the assets and liabilities of the Group at 31 December 2005, 2006, 2007, 2008 and 2009 are set out on page 102.

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PREMIUM

The Group purchased property, plant and equipment amounting to approximately HK$37,147,000 during the year. Details of movements in property, plant and equipment and prepaid land lease premium during the year are set out in notes 13 and 14 to the financial statements respectively.

SHARE CAPITAL

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

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. Lau Yeung Sang
Mr. Lau Sik Suen *(resigned on 29 May 2009)*
Mr. Liu Ruisheng
Madam Luan Yumin
Madam Ren Lili *(appointed on 20 July 2009)*

Non-Executive Director:

Mr. Chow Cheuk Lap

Independent Non-Executive Directors:

Mr. Meng Lihui
Mr. Wan Xieqiu
Mr. Fong Heung Sang
Mr. Liu Ji *(appointed on 7 September 2009)*

The executive director, Madam Ren Lili, was appointed for an initial term of two years commencing from 20 July 2009 and shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election in accordance with article 86 of the Company's Article of Association.

The independent non-executive director, Mr. Liu Ji, was appointed for an initial term of two years commencing from 7 September 2009 and shall hold office until the next following annual general meeting of the Company and shall be eligible for re-election in accordance with article 86 of the Company's Article of Association.

The remaining independent non-executive directors were appointed for an initial term of twelve months which is renewable after the expiry of the initial term of appointment.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

In accordance with article 87 of the Company's Articles of Association, Mr. Meng Lihui, Mr. Wan Xieqiu and Mr. Fong Heung Sang for the time being shall retire from office by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

The Company confirmed that annual confirmation of independent non-executive directors pursuant to Rule 5.09 of GEM Listing Rules and all independent directors are considered to be independent.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors and top five highest paid individuals of the Group are set out in note 6 to the financial statements.

CONNECTED TRANSACTIONS

No connected transactions to be disclosed under the GEM Listing Rules during the year.

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 October 2001, the Company adopted the following Share Option Schemes:–

(A) Share Option Scheme

The purpose of the Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward all the directors (whether executive or non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid ("Eligible Persons")) and any other persons who, in the absolute opinion of the Board, have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. The directors may at their discretion, invite any Eligible Persons to take up options to subscribe for shares.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

Directors' Report

SHARE OPTIONS *(Continued)*

(A) Share Option Scheme *(Continued)*

The period within which the shares must be taken up under the option must not be more than ten years from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

A summary of the movements of the share options granted under the Share Option Scheme during the year is as follows:–

					Number of share options				
Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2009
Initial management, shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	–	–	–	350,000
Senior management and staff of the Group	9 April 2002	Fully vested on 9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	–	–	–	70,000
Director, senior management and staff of the Group	21 May 2007	Fully vested on 21 May 2007	21 May 2007 to 20 May 2009	HK$0.228	25,290,000	–	–	(25,290,000)	–
Director, senior management and staff of the Group	22 February 2008	Fully vested on 22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	27,780,000	–	–	(3,760,000)	24,020,000
		22 February 2008 to 22 February 2009	22 February 2009 to 21 February 2011	HK$0.300	27,780,000	–	–	(3,760,000)	24,020,000
		22 February 2008 to 22 February 2010	22 February 2010 to 21 February 2011	HK$0.300	27,780,000	–	–	(3,760,000)	24,020,000
					109,050,000	–	–	(36,570,000)	72,480,000

Note:–

The Company received a consideration of HK$1.00 from each of the grantees of the Share Option Scheme.

SHARE OPTIONS *(Continued)*

(B) Pre-IPO Share Option Schemes

The grantees of these schemes exercised all options before 1 January 2009 and there was no share option outstanding at 31 December 2009.

At 31 December 2009, the number of shares in respect of which options had been granted and outstanding under the Share Option Schemes was 72,480,000, representing approximately 5% of the issued share capital of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2009, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")) which (i) are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:–

	Interests in ordinary shares						
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests in ordinary shares**	**Total interests in underlying shares** *(Note 2)*	**Aggregate interests**	**% of the Company's issued share capital**
Executive directors:							
Mr. Lau Yeung Sang *(Note 1)*	–	–	421,780,000	421,780,000	–	421,780,000	28.05%
Mr. Liu Ruisheng *(Note 2)*	–	–	–	–	5,100,000	5,100,000	0.34%
Madam Luan Yumin *(Note 2)*	–	–	–	–	7,400,000	7,400,000	0.49%
Madam Ren Lili *(Note 2)*	–	–	–	–	5,100,000	5,100,000	0.34%
Non-executive director:							
Mr. Chow Cheuk Lap *(Note 3)*	–	–	67,540,000	67,540,000	–	67,540,000	4.49%
Independent non-executive directors:							
Mr. Meng Lihui	–	–	–	–	–	–	–
Mr. Wan Xieqiu	–	–	–	–	–	–	–
Mr. Fong Heung Sang	–	–	–	–	–	–	–
Mr. Liu Ji	–	–	–	–	–	–	–

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:–

1. The corporate interests of Mr. Lau Yeung Sang in the ordinary shares of the Company are held by World One Investments Limited ("World One"). The entire issued share capital of World One is wholly and beneficially owned by Mr. Lau Yeung Sang. Mr. Lau Yeung Sang is therefore deemed to be interested in these ordinary shares.

2. The interests of Mr. Liu Ruisheng, Madam Luan Yumin and Madam Ren Lili in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.

   Details of the interests in the share options of the Company are separately disclosed in the section headed "Share Options".

3. Total interests of Mr. Chow Cheuk Lap in issued ordinary shares of the Company include 67,540,000 shares held by Top Nation International Limited ("Top Nation"). Mr. Chow owns 50% beneficial interests in Top Nation and he is deemed to be interested in these ordinary shares held by Top Nation.

4. There were no debt securities nor debentures issued by the Group at any time during the year ended 31 December 2009.

Save as disclosed above, at 31 December 2009, none of the directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

The directors confirmed that at 31 December 2009 and for the year ended 31 December 2009:–

(i) the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings according to Rules 5.46 to 5.67 of the GEM Listing Rules; and

(ii) all the directors complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

Directors' Report

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any director or chief executive of the Company, at 31 December 2009, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Company were as follows:–

(a) Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of interests
World One Investments Limited *(Note 1)*	Beneficial owner	421,780,000	28.05%
Ever City Industrial Limited *(Note 2)*	Beneficial owner	106,000,000	7.05%

Notes:–

(1) World One Investments Limited is wholly and beneficially owned by Mr. Lau Yeung Sang.

(2) Ever City Industrial Limited is equally and beneficially owned by Mr. Choi Hung Fai and Mr. Zhou Hang.

(b) Long positions in underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have long positions in underlying shares of equity derivatives of the Company.

(c) Short positions in the shares and underlying shares of equity derivatives of the Company

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholding" above, at 31 December 2009, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

Directors' Report

COMPETING INTERESTS

During the year, none of the directors, the substantial shareholders or the management shareholders (as defined in the GEM Listing Rules) had any interests in any business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 53% of the total sales for the year and sales to the largest customer included therein amounted to approximately 15%. Purchases from the Group's five largest suppliers accounted for approximately 94% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 75%.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

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

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

PRE-EMPTIVE RIGHTS

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

COMPLIANCE

In the opinion of the directors, the Company has complied with Rule 5.34 of the GEM Listing Rules concerning board practices and procedures throughout the financial year ended 31 December 2009.

CORPORATE GOVERNANCE REPORT

The Group has complied with the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules. This report describes its corporate governance practices, explains the applications of the principles of the Corporate Governance Code.

(A) Directors' Securities Transactions

The Company has adopted the rules set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year ended 31 December 2009.

Directors' Report

CORPORATE GOVERNANCE REPORT *(Continued)*

(B) Board of Directors

The Board comprises nine directors, of whom four are executive directors and five are non-executive directors. The participation of non-executive directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings.

The Board held a regular board meeting for each quarter. Details of the attendance of the Board at the regular quarterly board meeting are as follows:–

Directors	**Attendance**
Mr. Lau Yeung Sang	4/4
Mr. Lau Sik Suen *(resigned on 29 May 2009)*	1/1
Mr. Liu Ruisheng	4/4
Madam Luan Yumin	4/4
Madam Ren Lili *(appointed on 20 July 2009)*	3/3
Mr. Meng Lihui	4/4
Mr. Wan Xieqiu	4/4
Mr. Fong Heung Sang	4/4
Mr. Liu Ji *(appointed on 7 September 2009)*	2/2
Mr. Chow Cheuk Lap	4/4

Directors' Report

CORPORATE GOVERNANCE REPORT *(Continued)*

(C) Remuneration Committee

The Remuneration Committee was established in July 2006. The Remuneration Committee comprises four independent non-executive directors, Mr. Meng Lihui, Mr. Wan Xieqiu, Mr. Fong Heung Sang and Mr. Liu Ji. The Remuneration Committee held one meeting in the 12 months ended 31 December 2009, which was attended by all members.

The primary objectives of the Remuneration Committee include reviewing, making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior executives. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Company about these recommendations on remuneration policy and structure and remuneration packages.

(D) Nomination of Directors

The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

(E) Auditor's Remuneration

Auditor's remuneration of approximately HK$450,000 was charged to the Group's income statement for the year ended 31 December 2009 (2008: HK$462,000).

(F) Audit Committee

The Audit Committee was established in October 2001 with written terms of reference to review, inter alia, the Group's financial reporting and internal controls.

The Audit Committee comprises four independent non-executive directors, namely, Mr. Meng Lihui, Mr. Wan Xieqiu, Mr. Fong Heung Sang and Mr. Liu Ji. The chairman of the Audit Committee is Mr. Meng Lihui.

Directors' Report

CORPORATE GOVERNANCE REPORT *(Continued)*

(F) Audit Committee *(Continued)*

The Audit Committee held four meetings in the 12 months ended 31 December 2009. Details of the attendance of the Audit Committee at the four meetings are as follows:–

Audit Committee Members	Attendance
Mr. Meng Lihui	4/4
Mr. Wan Xieqiu	4/4
Mr. Fong Heung Sang	4/4
Mr. Liu Ji	2/2

The Group's first quarterly report 2009, interim report 2009, third quarterly report 2009 and annual report 2009 have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the annual report 2009, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming general meeting.

On behalf of the Board
Lau Yeung Sang
Chairman

Hong Kong, 19 March 2010

Independent Auditor's Report

大信梁學濂（香港）會計師事務所

Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIVERSAL TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Universal Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 101, which comprise the consolidated and Company statements of financial position 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 FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2009 and of the profit and cash flows of the Group 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.

PKF
Certified Public Accountants

Hong Kong
19 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009**	2008
		HK$'000	HK$'000
Turnover	4	**86,973**	75,151
Cost of sales/services rendered		**(12,448)**	(8,653)
Gross profit		**74,525**	66,498
Other income	4	**1,497**	2,474
General and administrative expenses		**(50,074)**	(46,967)
Profit from operations		**25,948**	22,005
Finance costs		**(1,181)**	(1,235)
Share of results of an associate		**–**	(13)
Profit before income tax	5	**24,767**	20,757
Income tax credit	7	**1,797**	1,626
Profit for the year		**26,564**	22,383
Attributable to:			
Shareholders of the Company	9	**28,478**	22,426
Minority interests		**(1,914)**	(43)
Profit for the year		**26,564**	22,383
Earnings per share (in cents)			
Basic	11	**1.89**	1.52
Diluted	11	**1.89**	1.52

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**26,564**	22,383
Other comprehensive income:		
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	**(397)**	(8,616)
Other comprehensive income for the year, net of tax	**(397)**	(8,616)
Total comprehensive income for the year	**26,167**	13,767
Total comprehensive income attributable to:		
Shareholders of the Company	**28,081**	13,810
Minority interests	**(1,914)**	(43)
	26,167	13,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13(a)	**48,874**	13,868
Prepaid land lease premium	14	**77,146**	79,034
Development cost	15	**1,556**	–
Goodwill	16	**79,870**	79,870
Interest in an associate	18	**5**	5
		207,451	172,777
CURRENT ASSETS			
Inventories	19	**16,008**	20,634
Debtors	20	**13,538**	7,790
Trade deposits		**4,973**	4,661
Other deposits, prepayments and other receivables	21	**18,860**	15,093
Amounts due from related companies	22	**13**	13
Financial assets at fair value through profit or loss	23	**1,109**	682
Prepaid land lease premium	14	**1,555**	1,554
Tax recoverable		**7**	4
Pledged time deposits	24	**–**	800
Cash and bank balances	25	**128,724**	63,228
		184,787	114,459
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts, unsecured		**–**	3
Bank loans	26	**15,926**	9,095
Trade payable		**1**	1
Payable to merchants		**75,213**	36,456
Deposits received, sundry creditors and accruals	27	**16,451**	11,482
Amount due to a director	28	**29**	42
Amount due to an associate		**5**	5
		107,625	57,084
NET CURRENT ASSETS		**77,162**	57,375
TOTAL ASSETS LESS CURRENT LIABILITIES		**284,613**	230,152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
DEDUCT:			
NON-CURRENT LIABILITIES			
Bank loans	26	**29,009**	–
Deferred tax liability	8(a)	**–**	1,798
		29,009	1,798
NET ASSETS		**255,604**	228,354
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	30(a)	**15,039**	15,039
Reserves	32(a)	**237,717**	208,553
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**252,756**	223,592
MINORITY INTERESTS		**2,848**	4,762
TOTAL EQUITY		**255,604**	228,354

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 19 MARCH 2010

LAU YEUNG SANG
DIRECTOR

LUAN YUMIN
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13(b)	**427**	640
Interests in subsidiaries	17	**344,316**	244,291
		344,743	244,931
CURRENT ASSETS			
Amounts due from related companies	22	**13**	13
Other deposits, prepayments and other receivables	21	**395**	543
Cash and bank balances		**341**	2,011
		749	2,567
DEDUCT:			
CURRENT LIABILITIES			
Accruals	27	**281**	604
Amounts due to subsidiaries	29	**96,459**	39,337
		96,740	39,941
NET CURRENT LIABILITIES		**(95,991)**	(37,374)
NET ASSETS		**248,752**	207,557
REPRESENTING:–			
CAPITAL AND RESERVES			
Share capital	30(a)	**15,039**	15,039
Reserves	32(b)	**233,713**	192,518
TOTAL EQUITY		**248,752**	207,557

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 19 MARCH 2010

LAU YEUNG SANG
DIRECTOR

LUAN YUMIN
DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**24,767**	20,757
Adjustments for:–			
Pledged time deposits		**800**	1,200
Interest income		**(711)**	(774)
Interest expenses		**279**	185
Impairment loss on goodwill		**1**	–
Depreciation		**2,165**	2,132
Amortisation of prepaid land lease premium		**1,935**	1,155
Loss on disposal of property, plant and equipment and prepaid land lease premium		**14**	705
Loss on change in fair value of financial assets		**28**	204
Gain on disposal of financial assets		**(738)**	(21)
Share of results of an associate		**–**	13
Equity-settled share-based payment expenses		**1,083**	4,317
Operating profit before working capital changes		**29,623**	29,873
Decrease/(increase) in inventories		**4,626**	(10,501)
(Increase)/decrease in debtors		**(5,748)**	16,182
Decrease in deposits paid to merchant		**–**	15,000
(Increase)/decrease in trade deposits		**(312)**	1,345
Increase in other deposits, prepayments and other receivables		**(2,632)**	(5,680)
Decrease in trade payable		**–**	(10,364)
Increase/(decrease) in payable to merchants		**38,757**	(35,964)
Increase in deposits received, sundry creditors and accruals		**4,963**	1,270
Decrease in bills payable		**–**	(3,623)
(Decrease)/increase in amount due to a director		**(13)**	13
Cash generated from/(used in) operations		**69,264**	(2,449)
Interest received		**711**	774
Interest paid		**(279)**	(185)
Tax paid		**(3)**	(4)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**69,693**	(1,864)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through profit or loss		**12,111**	385
Payments to acquire property, plant and equipment		**(37,147)**	(5,908)
Sale proceeds of property, plant and equipment		**2**	403
Instalments paid for acquisition of subsidiaries		**–**	(1,120)
Increase in development cost		**(1,556)**	–
Payments to acquire financial assets at fair value through profit or loss		**(11,828)**	(875)
Net cash outflow on acquisition of a subsidiary	33	**(1,130)**	(29,525)
NET CASH USED IN INVESTING ACTIVITIES		**(39,548)**	(36,640)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares to a minority shareholder		**–**	4,805
New bank loans raised		**45,504**	9,095
Decrease in amounts due from related companies		**–**	2,876
Repayment of bank loans		**(9,664)**	–
NET CASH FROM FINANCING ACTIVITIES		**35,840**	16,776
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**65,985**	(21,728)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(486)**	(12,503)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**63,225**	97,456
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**128,724**	63,225
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank overdrafts, unsecured		**–**	(3)
Cash and bank balances		**128,724**	63,228
		128,724	63,225

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	(Accumulated losses)/ retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2008	12,869	138,025	1,093	10,754	(93)	674	2,642	(29,939)	136,025	–	136,025
Issue of new shares	2,170	67,270	–	–	–	–	–	–	69,440	–	69,440
Issue of shares to a minority shareholder	–	–	–	–	–	–	–	–	–	4,805	4,805
Equity-settled share-based transactions	–	–	–	–	–	4,317	–	–	4,317	–	4,317
Transferred to accumulated losses	–	–	–	–	–	(460)	–	460	–	–	–
Total comprehensive income for the year	–	–	–	–	(8,616)	–	–	22,426	13,810	(43)	13,767
Transferred to statutory reserve	–	–	–	–	–	–	2,297	(2,297)	–	–	–
At 31.12.2008	15,039	205,295	1,093	10,754	(8,709)	4,531	4,939	(9,350)	223,592	4,762	228,354
At 1.1.2009	**15,039**	**205,295**	**1,093**	**10,754**	**(8,709)**	**4,531**	**4,939**	**(9,350)**	**223,592**	**4,762**	**228,354**
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**1,083**	**–**	**–**	**1,083**	**–**	**1,083**
Transferred to accumulated losses	**–**	**–**	**–**	**–**	**–**	**(1,444)**	**–**	**1,444**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(397)**	**–**	**–**	**28,478**	**28,081**	**(1,914)**	**26,167**
Transferred to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**2,194**	**(2,194)**	**–**	**–**	**–**
At 31.12.2009	**15,039**	**205,295**	**1,093**	**10,754**	**(9,106)**	**4,170**	**7,133**	**18,378**	**252,756**	**2,848**	**255,604**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Units 231-233, Building 2, Phase I, No. 1 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:–

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:–

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
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
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HK(IFRIC)-Int 9 and HKAS 39	Embedded Derivatives
Amendments to HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
Improvements to HKFRSs 2008	Other than amendments to HKFRS 1 and HKFRS 5

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except the following:–

(i) HKAS 1 (Revised) requires the presentation of a new "statement of comprehensive income" and disclosure of the components of "other comprehensive income", including but not limited to "reclassification adjustments". Comparative information is reclassified to conform to the new presentation.

(ii) HKFRS 8 sets out new requirements on how operating segments are determined and how segment information are measured and disclosed. HKFRS 8 also requires the disclosure of entity-wide information. Comparative segment information is restated to conform to the requirements to HKFRS 8.

(iii) The amendments to HKFRS 7 requires the financial statements to include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of financial assets at fair value through profit or loss as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Minority interests represent the results and net assets of the subsidiaries attributable to equity interests not owned, directly or indirectly, by the Company.

(d) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(e) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The results and assets and liabilities of an associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, the consolidated income statement includes the Group's share of the post-acquisition results of the associates and the consolidated statement of financial position includes the Group's share of the net assets of the associate, as reduced by any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management that makes strategic decisions.

(g) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Group's functional currency. The functional currency of the Group is the currency of the primary economic environment in which the Group operates.

Foreign currency transactions of the Group are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period and the exchange differences arising are recognised in the consolidated income statement. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the consolidated income statement, except for the exchange component of a gain or loss that is recognised directly in equity.

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 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 are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Such translation differences are recognised in the consolidated statement of comprehensive income for the year in which the foreign operation is disposed of.

(h) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment and depreciation *(Continued)*

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost of property, plant and equipment less any estimated residual value, on a straight-line basis over their estimated useful lives as follows:–

Leasehold buildings	– 40 years
Leasehold improvement	– Shorter of 5 years and the unexpired leases' terms
Plant and machinery	– 5 years
Office equipment, computer and other equipment	– 5 years
Furniture and fixtures	– 5 years
Motor vehicles	– 5 years

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

Gain or loss arising from the retirement or disposal of a plant and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in the income statement on the date of retirement or disposal.

(i) Prepaid land lease premium

Up-front payments to acquire leasehold land are amortised over the term of the leases on a straight-line basis.

(j) Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible assets arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:–

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

Research and development expenditure (Continued)

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets

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

(m) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Investments *(Continued)*

(iv) Available-for-sale financial assets

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

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income and accumulated separately in equity in investment revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

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

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less direct selling costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(p) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Share capital

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

(r) 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 other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Income tax

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 net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity respectively.

(t) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China (the "PRC") central pension scheme, are recognised as an expense in the income statement as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

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

(u) Provisions and contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Provisions and contingent liabilities *(Continued)*

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

(v) Recognition of revenue

Revenue from the provision of enterprise solutions services is recognised on a straight-line basis over the period in which the work is performed.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Handling income from online payment platform transaction is recognised when the transaction is authorised and completed.

Annual fee income of online payment platform services is recognised on a straight-line basis over the years of the services.

Set up fee income of online payment platform services is recognised at the time when the services are rendered.

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

Dividend income is recognised at the time when the shareholders' right to receive payment has been established.

(w) Leases

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

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the periods of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

(y) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue as at 31 December 2009 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2009:–

HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 1	Additional Exemptions for First-time Adopters
Amendments to HKFRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2008	Amendments to HKFRS 1 and HKFRS 5
Improvements to HKFRSs 2009	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HKFRS 2, HKFRS 5, HKFRS 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Hong Kong Financial Reporting Standards in issue but not yet effective *(Continued)*

The Group is required to initially apply these Hong Kong Financial Reporting Standards in its annual financial statements beginning on 1 January 2010, except that the Group is required to initially apply HKAS 24 (Revised), HK(IFRIC)-Int 19, amendments to HKAS 32 and amendments to HK(IFRIC)-Int 14 in its annual financial statements beginning on 1 January 2011, and to initially apply HKFRS 9 its annual financial statements beginning on 1 January 2013.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2 to the financial statements, management had made the following estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements.

(i) Inventories

Note 2 to the financial statements describes that inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general provisioning policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regards, the directors of the Group are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the financial statements.

(ii) Depreciation

The management determines the estimated useful lives and related depreciation of the property, plant and equipment as set out in note 2 to the financial statements. The estimate is based on projected lifecycles of the assets. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(ii) Depreciation (Continued)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using straight-line method.

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was HK$79,870,000. Details of the impairment loss calculation are provided in note 16 to the financial statements.

(b) Critical judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the financial statements are made in determining:–

(i) whether the significant risks and rewards of ownership of goods have been transferred to the buyer;

(ii) whether there is an indication of impairment of assets;

(iii) the expected manner of recovery of the carrying amount of assets;

(iv) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate for the purpose of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of payment solutions and related services, timber trading and furniture manufacturing, other trading, system integration and related technical support services. Turnover for the year represents revenue recognised from the provision of payment handling income net of business tax, the net invoiced value of goods sold, system integration and the related consultancy services at net invoice amount. An analysis of the Group's turnover and other income is set out below:–

	2009 HK$'000	2008 HK$'000
Payment solutions and related services income	**72,050**	66,484
Timber trading and furniture manufacturing	**14,639**	8,665
Other trading, system integration and related technical support services	**284**	2
Turnover	**86,973**	75,151
Interest on bank deposits	**711**	774
Exchange gain	**273**	114
Others	**513**	1,586
	88,470	77,625

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

5. PROFIT BEFORE INCOME TAX

	2009	2008
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):–		
Auditor's remuneration		
– Current year	**450**	450
– Under-provision for previous year	**–**	12
	450	462
Cost of inventories recognised as expenses	**9,318**	6,922
Staff costs (including directors' remuneration – *Note 6*)		
– Salaries and other benefits	**17,386**	14,938
– Pension scheme contributions	**3,346**	3,082
– Equity-settled share-based payment expenses	**1,083**	4,317
	21,815	22,337
Depreciation	**2,165**	2,132
Amortisation of prepaid land lease premium	**1,935**	1,155
Sale proceeds of property, plant and equipment and prepaid land lease premium	**(2)**	(403)
Less: Carrying amounts of property, plant and equipment and prepaid land lease premium	**16**	1,108
Loss on disposal of property, plant and equipment and prepaid land lease premium	**14**	705
Gain on disposal of financial assets	**(738)**	(21)
Loss on change in fair value of financial assets	**28**	204
Impairment loss on goodwill	**1**	–
Minimum operating lease rentals	**4,994**	4,511
Interest on bank loans and overdraft wholly repayable within five years	**279**	185

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors

The remuneration of each director for the year ended 31 December 2009 and 31 December 2008 are set out below:–

	Year ended 31 December 2009						
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 *(Note i)*	Bonuses HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Lau Sik Suen *(Note iv)*	–	75	–	4	79	–	79
Mr. Lau Yeung Sang	108	–	–	5	113	–	113
Mr. Liu Ruisheng	54	–	–	–	54	77	131
Madam Luan Yumin	54	233	–	57	344	108	452
Madam Ren Lili *(Note ii)*	47	181	–	57	285	77	362
Mr. Meng Lihui	54	–	–	–	54	–	54
Mr. Wan Xieqiu	54	–	–	–	54	–	54
Mr. Fong Heung Sang	72	–	–	–	72	–	72
Mr. Liu Ji *(Note iii)*	19	–	–	–	19	–	19
Mr. Chow Cheuk Lap	36	–	–	–	36	–	36
	498	489	–	123	1,110	262	1,372

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors *(Continued)*

	Year ended 31 December 2008						
Name of director	Fees HK$'000	Salaries, allowances and other benefits in kind HK$'000 *(Note i)*	Bonuses HK$'000	Pension scheme contributions HK$'000	Sub-total HK$'000	Share based payment HK$'000	Total HK$'000
Mr. Lau Sik Suen *(Note iv)*	–	150	–	7	157	–	157
Mr. Lau Yeung Sang	55	–	–	3	58	–	58
Mr. Liu Ruisheng	53	–	–	–	53	245	298
Madam Luan Yumin	53	252	–	44	349	345	694
Mr. Meng Lihui	52	–	–	–	52	–	52
Mr. Wan Xieqiu	52	–	–	–	52	–	52
Mr. Fong Heung Sang	70	–	–	–	70	–	70
Mr. Chow Cheuk Lap	30	–	–	–	30	–	30
	365	402	–	54	821	590	1,411

Notes:–

i. Salaries, allowances and other benefits in kind included basic salaries, housing and other allowances, benefits in kind and employee share option benefits. The employee share option benefits represent fair value at the date the share options were granted and accepted under the scheme amortised to the income statement during the period disregarding whether the options have been exercised or not.

ii. Appointed on 20 July 2009.

iii. Appointed on 7 September 2009.

iv. Resigned on 29 May 2009.

No directors waived any emolument during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Among the five highest paid individuals of the Group, two (2008: one) are directors of the Company and the details of their remuneration have already been disclosed above.

The emoluments and designated band of the remaining three (2008: four) non-directors, highest paid employees were as follows:–

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**681**	1,547
Pension scheme contributions	**69**	106
Equity-settled share-based payment expenses	**131**	1,137
	881	2,790

The emoluments of the three (2008: four) non-directors, highest paid employees fell within the band of nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid employees, including the directors of the Company, as an inducement to join, or upon joining the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. INCOME TAX CREDIT

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"). The New CIT Law reduces the corporate income tax rate from 27% or 33% to 25% with effect from 1 January 2008. The Company's subsidiaries operating in the PRC are subject to the tax rate at 25% (2008: 25%).

No provision for Hong Kong profits tax has been made in these financial statements as the Group's assessable profits for the year have been fully set-off against tax losses brought forward from previous years. (2008: No provision for Hong Kong profits tax was made in these financial statements as the Group had no assessable profits for the year).

During the year, certain subsidiaries in the PRC are entitled to preferential tax treatments. Certain subsidiaries are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate ("Five-year tax holiday"). Other subsidiaries in the PRC did not generate any assessable profits subject to Mainland China corporate income tax.

(b) The income tax credit represents the sum of the current tax and deferred tax and is made up as follows:–

	2009	2008
	HK$'000	HK$'000
Current tax:–		
Current year	**–**	–
Deferred taxation – Note 8(a):–		
Current year	**(1,797)**	(1,626)
	(1,797)	(1,626)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

7. INCOME TAX CREDIT *(Continued)*

(c) The income tax credit for the year can be reconciled to the profit/(loss) per income statement as follows:–

	Hong Kong		PRC		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit/(loss) before income tax	**10,190**	(356)	**14,577**	21,113	**24,767**	20,757
Applicable tax rate (%)	**16.5**	16.5	**25**	25	**N/A**	N/A
Tax on profit/(loss) before income tax, calculated at the applicable tax rate	**1,681**	(59)	**3,644**	5,278	**5,325**	5,219
Tax effect of non-deductible expenses in determining taxable profit	**60**	189	**3,020**	948	**3,080**	1,137
Tax effect of non-taxable revenue in determining taxable profit	**(1)**	(19)	**(345)**	(68)	**(346)**	(87)
Tax effect of unrecognised decelerated depreciation allowances	**53**	31	**–**	–	**53**	31
Tax effect of unrecognised tax losses	**–**	346	**1,312**	1,005	**1,312**	1,351
Tax effect of utilisation of tax losses	**(1,793)**	(488)	**(1,811)**	(185)	**(3,604)**	(673)
Tax effect on 100% tax free concession	**–**	–	**(7,617)**	(8,737)	**(7,617)**	(8,737)
Under-provision of deferred tax in previous years	**–**	–	**–**	133	**–**	133
Income tax credit	**–**	–	**(1,797)**	(1,626)	**(1,797)**	(1,626)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. DEFERRED TAXATION

(a) The Group

The following is deferred tax asset/(liability) recognised by the Group and movements hereon during the current year and prior year:–

	Unutilised tax losses	Others	Total
	HK$'000	HK$'000	HK$'000
At 1.1.2008	133	(3,163)	(3,030)
(Charged)/credited to income statement for the year	(149)	1,775	1,626
Exchange adjustments	16	(410)	(394)
At 31.12.2008 and 1.1.2009	–	(1,798)	(1,798)
Credited to income statement for the year – *Note 7(b)*	–	1,797	1,797
Exchange adjustments	–	1	1
At 31.12.2009	**–**	**–**	**–**

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group and the Company are as follows:–

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deductible temporary differences – *Note (i) & (ii)*				
Decelerated tax allowances	**143**	23	**–**	–
Unutilised tax losses	**38,124**	61,639	**15,283**	20,052
	38,267	61,662	**15,283**	20,052
Taxable temporary difference – *Note (iii)*				
Accelerated tax allowances	**(213)**	(412)	**(64)**	(252)
	38,054	61,250	**15,219**	19,800

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

8. DEFERRED TAXATION *(Continued)*

(b) The components of unrecognised deductible/(taxable) temporary difference of the Group and the Company are as follows:– *(Continued)*

Notes:–

(i) The Group

Deductible temporary differences have not been recognised in these financial statements owing to the absence of objective evidence in respect of availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unrecognised tax losses are losses of HK$9,057,000 (2008: HK$23,703,000) that will expire within five years from the date of incurrence. Other losses can be carried forward indefinitely.

(ii) The Company

Deductible temporary difference has not been recognised in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary difference. All unutilised tax losses can be carried forward indefinitely.

(iii) The Group and the Company

Taxable temporary differences have not been recognised in these financial statements owing to its immateriality.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of approximately HK$5,553,000 (2008: profit of HK$2,442,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:–

	2009	2008
	HK$'000	HK$'000
Amount of consolidated (loss)/profit attributable to shareholders dealt with in the Company's financial statements	**(5,553)**	2,442
Interim dividend from a subsidiary attributable to the profits, approved and paid during the year	**45,665**	–
Company's profit for the year	**40,112**	2,442

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

10. DIVIDEND

	2009 HK$'000	2008 HK$'000
Final dividend proposed after the end of the reporting period of HK0.39 cents per ordinary share (2008: HK$Nil)	**5,865**	–

The final dividend proposed after the end of the reporting period has not been recognised as liabilities at the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year is based on the following data:–

	2009 HK$'000	2008 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**28,478**	22,426

	2009	2008
Number of shares		
Weighted average number of shares in issue for the purpose of calculation of basic earnings per share	**1,503,928,858**	1,478,434,322
Effect of dilutive potential ordinary shares:– Share options	**–**	–
Weighted average number of shares in issue for the purpose of calculation of diluted earnings per share	**1,503,928,858**	1,478,434,322

For the year ended 31 December 2009, diluted earnings per share is equal to the basic earnings per share because the exercise price of the Group's share options was higher than the average market price of the Group's shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

12. RETIREMENT BENEFIT COSTS

Since 1 December 2000, the Group had joined a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with rules of MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's contribution to such scheme for the year ended 31 December 2009 amounted to approximately HK$156,000 (2008: HK$102,000).

The Company's subsidiaries in the PRC have participated in a central pension scheme. Contributions are made by the subsidiaries to the scheme based on 26% (2008: 25.5%) of the applicable payroll costs. The Group has no obligation other than the above-mentioned contributions.

The Group's contribution to the state-sponsored retirement plan for the year ended 31 December 2009 amounted to approximately HK$3,190,000 (2008: HK$2,979,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Properties held under medium-term lease HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1.1.2008								
Cost	2,491	263	992	4,529	167	4,593	–	13,035
Aggregate depreciation	(2)	(19)	(286)	(2,004)	(120)	(1,021)	–	(3,452)
Net book value	2,489	244	706	2,525	47	3,572	–	9,583
For the year ended 31.12.2008								
Opening net book value	2,489	244	706	2,525	47	3,572	–	9,583
Exchange adjustments	–	35	43	332	–	390	51	851
Acquisition of subsidiaries	–	–	–	251	–	–	416	667
Additions	–	197	23	935	93	580	4,080	5,908
Disposals	(278)	–	–	(67)	–	(664)	–	(1,009)
Depreciation	(62)	(28)	(203)	(862)	(37)	(940)	–	(2,132)
Closing net book value	2,149	448	569	3,114	103	2,938	4,547	13,868

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group *(Continued)*

	Properties held under medium-term lease	Plant and machinery	Leasehold improvement	Office equipment, computer and other equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31.12.2008								
Cost	2,213	498	1,070	14,235	260	4,689	4,547	27,512
Aggregate depreciation	(64)	(50)	(501)	(11,121)	(157)	(1,751)	–	(13,644)
Net book value	2,149	448	569	3,114	103	2,938	4,547	13,868
For the year ended 31.12.2009								
Opening net book value	2,149	448	569	3,114	103	2,938	4,547	13,868
Exchange adjustments	–	1	–	2	–	1	36	40
Additions	–	–	341	1,687	61	–	35,058	37,147
Disposals	–	–	–	(16)	–	–	–	(16)
Depreciation	(59)	(45)	(196)	(919)	(51)	(895)	–	(2,165)
Closing net book value	2,090	404	714	3,868	113	2,044	39,641	48,874
At 31.12.2009								
Cost	2,213	499	1,411	15,843	321	4,692	39,641	64,620
Aggregate depreciation	(123)	(95)	(697)	(11,975)	(208)	(2,648)	–	(15,746)
Net book value	2,090	404	714	3,868	113	2,044	39,641	48,874

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) The Group *(Continued)*

At 31 December 2009, the property held under medium-term lease with a net book value of HK$1,808,000 (2008: HK$1,859,000) was pledged to a bank to secure a bank loan granted to a subsidiary of the Group.

At 31 December 2009, the construction in progress with a net book value of HK$39,641,000 (2008: HK$Nil) was pledged to a bank to secure a bank loan granted to a subsidiary of the Group.

(b) The Company

	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1.1.2008					
Cost	276	104	108	988	1,476
Aggregate depreciation	(188)	(53)	(72)	(340)	(653)
Net book value	88	51	36	648	823
For the year ended 31.12.2008					
Opening net book value	88	51	36	648	823
Additions	17	32	78	–	127
Disposals	–	(12)	–	–	(12)
Depreciation	(55)	(22)	(23)	(198)	(298)
Closing net book value	50	49	91	450	640
At 31.12.2008					
Cost	293	93	186	988	1,560
Aggregate depreciation	(243)	(44)	(95)	(538)	(920)
Net book value	50	49	91	450	640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The Company *(Continued)*

	Leasehold improvement HK$'000	Office equipment, computer and other equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
For the year ended 31.12.2009					
Opening net book value	50	49	91	450	640
Additions	6	16	60	–	82
Depreciation	(37)	(20)	(41)	(197)	(295)
Closing net book value	19	45	110	253	427
At 31.12.2009					
Cost	299	109	246	988	1,642
Aggregate depreciation	(280)	(64)	(136)	(735)	(1,215)
Net book value	19	45	110	253	427

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

14. PREPAID LAND LEASE PREMIUM

The Group's interests in land lease premium represents prepaid operating lease payments and its net book value is analysed as follows:–

	The Group	
	2009	2008
	HK$'000	HK$'000
In Hong Kong, held on medium-term lease	**970**	996
Outside Hong Kong, held on medium-term lease	**77,731**	79,592
	78,701	80,588
Less: Current portion	**(1,555)**	(1,554)
Non-current portion	**77,146**	79,034
Representing:–		
Opening net book value	**80,588**	5,202
Exchange difference	**48**	3,417
Acquisition of subsidiaries	**–**	73,223
Disposals	**–**	(99)
Amortisation of prepaid land lease premium	**(1,935)**	(1,155)
Closing net book value	**78,701**	80,588

At 31 December 2009, the prepaid land lease premium with a net book value of HK$77,731,000 (2008: HK$3,970,000) was pledged to a bank to secure bank loans granted to subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

15. DEVELOPMENT COST

	HK$'000
Cost:–	
At 1.1.2008 and 1.1.2009	–
Exchange adjustment	1
Additions	1,555
At 31.12.2009	**1,556**
Accumulated amortisation:–	
At 1.1.2008, 31.12.2008 and 31.12.2009	**–**
Net book value:–	
At 31.12.2009	**1,556**
At 31.12.2008	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. GOODWILL – THE GROUP

	HK$'000
Cost:–	
At 1.1.2008	43,072
Arising on acquisition of subsidiaries – *Note 33*	36,820
At 31.12.2008 and 1.1.2009	79,892
Arising on acquisition of a subsidiary – *Note 33*	1
At 31.12.2009	**79,893**
Impairment loss:–	
At 1.1.2008 and 1.1.2009	22
Impairment for the year	1
At 31.12.2009	**23**
Net book value:–	
At 31.12.2009	**79,870**
At 31.12.2008	79,870

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

16. GOODWILL – THE GROUP *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:–

	2009	2008
	HK$'000	HK$'000
Platform payment services – *Note 16(a)*	**43,050**	43,050
Internet based remittance services – *Note 16(b)*	**33,352**	33,352
Trading of timber – *Note 16(c)*	**3,402**	3,402
Others	**89**	88
	79,893	79,892

Notes:–

(a) The goodwill was related to the acquisition of 70.6% equity interest in International Payment Solutions (Shanghai) Limited ("IPSSH").

(b) The goodwill was related to the acquisition of 80% equity interest in Universal ECPAY Limited ("ECPAY"). The Group originally held 20% equity interest in ECPAY. On 12 December 2008, the Group further acquired 80% equity interest in ECPAY and therefore ECPAY became a wholly-owned subsidiary of the Group. The details of the acquisition are set out in note 33(d) to the financial statements.

(c) The goodwill was related to the acquisition of the entire equity interest in Shanghai Puluma Trading Limited ("PLM"). The details of the acquisition are set out in note 33(e) to the financial statements.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A discount factor at a rate ranged from 17% to 24% was applied in the value in use model. Cash flows beyond the five-year period are extrapolated using the growth rate from 0% to 2%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**153,704**	96,859
Amounts due from subsidiaries – *Note 17(b)*	**190,612**	147,432
	344,316	244,291

Notes:–

(a) The details of the subsidiaries at 31 December 2009 are as follows:–

Name of company	Place of incorporation/ establishment and operation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Universal Cyberworks International Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Universal Enterprise Resources Limited (formerly known as Universal Enterprise Investment Limited)	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
iLogistics China Limited	Hong Kong	500,000 ordinary shares of US$1 each	–	60%	Investment holding
Hyle Maestro Wooding (Shanghai) Limited *	People's Republic of China	US$1,080,000	–	100%	Trading of timber and manufacturing of furniture
International Payment Solutions (Shanghai) Limited	People's Republic of China	RMB100,000,000	–	100%	Provision of payment solutions and related services

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:– *(Continued)*

(a) The details of the subsidiaries at 31 December 2009 are as follows:– *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
International Payment Solutions Holdings Limited (formerly known as Universal i-Payment Holdings Limited)	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	100%	Investment holding
International Payment Solutions (China) Limited (formerly known as Universal i-Payment (Shanghai) Limited)*	People's Republic of China	US$880,000	–	100%	Investment holding
Universal Technologies (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Trading of timber and provision of system integration and related technical support services
International Payment Solutions (Hong Kong) Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Provision of payment solutions and related services
IPS Linqpay Limited	Hong Kong	100 ordinary shares of HK$1 each	–	55%	Not yet commenced business
Universal iPayment International Limited	Hong Kong	9,306,740 ordinary shares of HK$1 each	–	100%	Investment holding
Universal Investment China Limited (formerly known as Universal iPayment China Limited)*	People's Republic of China	US$5,100,000	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:– (Continued)

(a) The details of the subsidiaries at 31 December 2009 are as follows:– *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Shanghai Puluma Trading Limited	People's Republic of China	RMB500,000	–	100%	Trading of timber
Universal ECPAY Limited	People's Republic of China	RMB10,000,000	–	100%	Provision of internet based remittance services
Shanghai Head Harvest Investment Limited	People's Republic of China	RMB10,000,000	–	58%	Not yet commenced business
Universal Unipass Limited	People's Republic of China	RMB1,000,000	–	100%	Not yet commenced business
Universal Union Collection Limited	People's Republic of China	RMB1,000,000	–	100%	Not yet commenced business

* *The subsidiaries are registered as Wholly Foreign Owned Enterprises under PRC Laws.*

(b) The amounts are interest-free, unsecured and have no fixed terms of repayment.

18. INTEREST IN AN ASSOCIATE

	The Group	
	2009	2008
	HK$'000	HK$'000
Share of net assets	**5**	5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

18. INTEREST IN AN ASSOCIATE *(Continued)*

Notes:–

The Group's interest in an associate is as follows:–

Name of company	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activities
King Essence International Limited	Incorporated	Hong Kong	10,000 ordinary shares of HK$1 each	50%	–	Not yet commenced business

Summary financial information on an associate:–

	Asset	Liabilities	Equity	Revenue	Profit
2009	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
100%	**10**	**–**	**10**	**–**	**–**
Group's effective interest	**5**	**–**	**5**	**–**	**–**
2008					
100%	10	–	10	–	–
Group's effective interest	5	–	5	–	–

19. INVENTORIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**3,046**	8,631
Work in progress	**6,047**	8,045
Finished goods	**6,915**	3,958
	16,008	20,634

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For the year ended 31 December 2009

20. DEBTORS

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with debtors, credit evaluations of customers are performed periodically.

An aging analysis of debtors is set out below:–

	The Group	
	2009	2008
	HK$'000	HK$'000
0 – 6 months	**8,632**	6,742
7 – 12 months	**4,891**	1,032
Over one year	**15**	16
	13,538	7,790
Neither past due nor impaired	**13,523**	7,774
Past due but not impaired	**15**	16
	13,538	7,790

21. OTHER DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Utilities and other deposits	**109**	82	**–**	–
Prepayments	**8,002**	8,071	**291**	409
Other receivables	**10,749**	6,940	**104**	134
	18,860	15,093	**395**	543

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

22. AMOUNTS DUE FROM RELATED COMPANIES

(a) Name and relationship with related companies are as follows:–

Name of company	Relationship
Universal Enterprise (China) Investment Group Limited	Controlled by a director, Mr. Lau Yeung Sang
Universal Bio-Medical Group Limited	Controlled by a director, Mr. Lau Yeung Sang
Universal Wood Industrial Group Limited	Controlled by a director, Mr. Lau Yeung Sang

(b) Disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:–

	The Group and the Company		
	Balance outstanding		
Name of company	**At 1.1.2009** HK$'000	**Maximum during the year** HK$'000	**At 31.12.2009** **HK$'000**
Universal Enterprise (China) Investment Group Limited	3	3	**3**
Universal Bio-Medical Group Limited	5	5	**5**
Universal Wood Industrial Group Limited	5	5	**5**
	13		**13**

The amounts are interest-free, unsecured and repayable on demand.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2009 **HK$'000**	2008 HK$'000
Listed securities		
Equity securities – Hong Kong	**1,109**	682
Market value of listed securities	**1,109**	682

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

24. TIME DEPOSITS – THE GROUP

At 31 December 2009, no time deposit was pledged as collateral for a service contract with a customer of a subsidiary of the Group (2008: HK$800,000).

25. CASH AND BANK BALANCES – THE GROUP

At 31 December 2009, cash and bank balances of the Group denominated in Renminbi amounted to approximately HK$113,272,000 (2008: HK$53,497,000). Renminbi is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks authorised to conduct foreign exchange business.

26. BANK LOANS

		The Group	
	Note	**2009**	2008
		HK$'000	HK$'000
Bank loan, secured	(a)	**2,275**	3,411
Bank loan, secured	(b)	**33,559**	–
Bank loan, unsecured	(c)	**9,101**	5,684
		44,935	9,095
Due for payment:–			
Within one year		**15,926**	9,095
Within two to five years		**21,046**	–
Over five years		**7,963**	–
		29,009	–
		44,935	9,095

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. BANK LOANS *(Continued)*

Notes:–

(a) The secured bank loan is interest-bearing at 5.84% per annum (2008: 7.62% per annum), repayable within one year and denominated in Renminbi and secured by the property held under medium-term lease with a net book value of HK$1,808,000 (2008: HK$1,859,000) (note 13(a)) and the prepaid land lease premium with a net book value of HK$3,860,000 (2008: HK$3,970,000) (note 14).

(b) The secured bank loan is interest-bearing at 0.54% per month, repayable within five years and denominated in Renminbi and secured by the construction in progress with a net book value of HK$39,641,000 (2008: HK$Nil) (note 13(a)) and the prepaid land lease premium with a net book value of HK$73,871,000 (2008: HK$Nil) (note 14).

(c) The unsecured bank loan is interest-bearing at 4.86% per annum (2008: 7.47% per annum), repayable within one year and denominated in Renminbi.

27. DEPOSITS RECEIVED, SUNDRY CREDITORS AND ACCRUALS

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits received and receipts in advance	**4,068**	2,000	**–**	102
Accruals	**1,018**	2,081	**281**	502
Sundry creditors	**11,365**	7,401	**–**	–
	16,451	11,482	**281**	604

28. AMOUNT DUE TO A DIRECTOR – THE GROUP

The amount is interest-free, unsecured and repayable on demand.

29. AMOUNTS DUE TO SUBSIDIARIES – THE COMPANY

The amounts are interest-free, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

30. SHARE CAPITAL

	Note	The Group and the Company	
(a) Share capital		**Number of shares**	**HK$'000**
Authorised:–			
Ordinary shares of HK$0.01 each			
At 1 January 2008		2,000,000,000	20,000
Increase in authorised share capital	(i)	3,000,000,000	30,000
At 31 December 2008 and 31 December 2009		**5,000,000,000**	**50,000**
Issued and fully paid:–			
At 1 January 2008		1,286,928,858	12,869
Issue of shares for consideration of acquisition of a subsidiary	(ii)	217,000,000	2,170
At 31 December 2008 and 31 December 2009		**1,503,928,858**	**15,039**

Notes:–

(i) Pursuant to an ordinary resolution passed on 9 May 2008, the authorised share capital of the Company was increased to HK$50,000,000 by the creation of an additional 3,000,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(ii) On 13 February 2008, 217,000,000 new shares of HK$0.01 each were issued at a premium of HK$0.31 per share for consideration of acquisition of a subsidiary. The excess of the issue price over the par value of the shares amounted to approximately HK$67,270,000 was credited to the share premium account of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

30. SHARE CAPITAL *(Continued)*

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy was to maintain a reasonable proportion in total liabilities and total assets. The Group monitors equity capital on the basis of gearing ratio, which is calculated as total liabilities over total assets. The gearing ratios at 31 December 2009 and at 31 December 2008 were as follows:–

	2009	2008
	HK$'000	HK$'000
Total liabilities	**136,634**	57,084
Total assets	**392,238**	287,236
Gearing ratio	**34.83%**	19.87%

31. SHARE OPTIONS

The Company operates three Share Option Schemes (including two Pre-IPO Share Option Schemes) adopted on 12 October 2001 under which the Board of Directors (the "Board") are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, and other eligible persons, to take up options to subscribe for shares of the Company. For the two Pre-IPO Share Option Schemes, the exercise prices were determined by the Board to be HK$0.010 and HK$0.084 respectively. The exercise price of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

None of the options granted under the Pre-IPO Share Option Schemes can be exercised during the first six months after 26 October 2001 (the "Listing Date"). The period within which the shares must be taken up under the Pre-IPO Share Option Schemes must be within a period of ten years commencing on the expiry of six months after the Listing Date and expiring on the last day of such ten-year period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. SHARE OPTIONS *(Continued)*

The vesting period and exercisable period of the Share Option Scheme (other than the Pre-IPO Share Option Schemes) are determined by the Board but in any case no option can be exercised later than ten years from the date of grant.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(a) A summary of the movements of share options granted under the Company's share option schemes during the year is as follows:–

				Number of share options				
Option scheme adopted on	**Date of grant**	**Exercise Period**	**Exercise price**	**Outstanding at 1 January 2009**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2009**
12 October 2001	7 February 2002	7 February 2002 to 6 February 2012	HK$1.300	350,000	–	–	–	350,000
12 October 2001	9 April 2002	9 April 2002 to 8 April 2012	HK$1.400	70,000	–	–	–	70,000
12 October 2001	21 May 2007	21 May 2007 to 20 May 2009	HK$0.228	25,290,000	–	–	(25,290,000)	–
12 October 2001	22 February 2008	22 February 2008 to 21 February 2011	HK$0.300	27,780,000	–	–	(3,760,000)	24,020,000
		22 February 2009 to 21 February 2011	HK$0.300	27,780,000	–	–	(3,760,000)	24,020,000
		22 February 2010 to 21 February 2011	HK$0.300	27,780,000	–	–	(3,760,000)	24,020,000
				109,050,000	–	–	(36,570,000)	72,480,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. SHARE OPTIONS *(Continued)*

(b) The number and weighted average exercises prices of share options are as follows:–

	2009		2008	
	Weighted average of exercise price HK$	**Number of options**	Weighted average of exercise price HK$	Number of options
Outstanding at the beginning of the year	**0.288**	**109,050,000**	0.247	25,830,000
Granted during the year	**–**	**–**	0.300	90,000,000
Lapsed during year	**0.250**	**(36,570,000)**	0.299	(6,780,000)
Outstanding at the end of year	**0.307**	**72,480,000**	0.288	109,050,000
Exercisable at the end of year	**0.309**	**48,460,000**	0.274	53,490,000

No share options were exercised during both years.

(c) Fair value of share options granted during the year:–

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Black-Scholes option pricing model.

	2009 HK$	2008 HK$
Fair value at measurement date	**N/A**	0.0408 – 0.0894
Share price	**N/A**	0.2550
Exercise price	**N/A**	0.3000
Expected volatility	**N/A**	72.07% – 89.19%
Expected dividend	**N/A**	N/A
Risk-free interest rate	**N/A**	1.36% – 1.63%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

31. SHARE OPTIONS *(Continued)*

(c) Fair value of share options granted during the year:– *(Continued)*

The expected volatility is based on the historic volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

32. RESERVES

(a) The Group

	Share premium	Capital reserve	Special reserve	Exchange reserve	Share options reserve	Statutory reserve	(Accumulated losses)/ retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1.1.2008	138,025	1,093	10,754	(93)	674	2,642	(29,939)	123,156
Issue of new shares	67,270	–	–	–	–	–	–	67,270
Equity-settled share-based transactions	–	–	–	–	4,317	–	–	4,317
Transferred to accumulated losses	–	–	–	–	(460)	–	460	–
Total comprehensive income for the year	–	–	–	(8,616)	–	–	22,426	13,810
Transferred to statutory reserve	–	–	–	–	–	2,297	(2,297)	–
At 31.12.2008	205,295	1,093	10,754	(8,709)	4,531	4,939	(9,350)	208,553
At 1.1.2009	205,295	1,093	10,754	(8,709)	4,531	4,939	(9,350)	208,553
Equity-settled share-based transactions	–	–	–	–	1,083	–	–	1,083
Transferred to accumulated losses	–	–	–	–	(1,444)	–	1,444	–
Total comprehensive income for the year	–	–	–	(397)	–	–	28,478	28,081
Transferred to statutory reserve	–	–	–	–	–	2,194	(2,194)	–
At 31.12.2009	**205,295**	**1,093**	**10,754**	**(9,106)**	**4,170**	**7,133**	**18,378**	**237,717**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

32. RESERVES *(Continued)*

(a) The Group *(Continued)*

Notes:–

(i) The special reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired pursuant to the reorganisation completed in 2001.

(ii) The subsidiary established in the PRC was required by PRC Company Law to appropriate 10% of its statutory after-tax profit to a general reserve fund until the balance of the fund reached 50% of share capital and thereafter any further appropriation was optional. The general reserve fund could be utilised to offset prior years' losses or to increase share capital on the condition that the general reserve fund must be maintained at a maximum of 25% of the share capital after such issuance. During the year, the Board of Directors of the subsidiary resolved to appropriate approximately HK$2,194,000 (2008: HK$2,297,000) from retained profits to general reserve fund.

(b) The Company

	Share premium HK$'000	Share options reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1.1.2008	145,589	674	(27,774)	118,489
Equity-settled share-based transactions	–	4,317	–	4,317
Issue of new shares	67,270	–	–	67,270
Transferred to accumulated losses	–	(460)	460	–
Total comprehensive income for the year	–	–	2,442	2,442
At 31.12.2008	212,859	4,531	(24,872)	192,518
At 1.1.2009	212,859	4,531	(24,872)	192,518
Equity-settled share-based transactions	–	1,083	–	1,083
Transferred to accumulated losses	–	(1,444)	1,444	–
Total comprehensive income for the year	–	–	40,112	40,112
At 31.12.2009	**212,859**	**4,170**	**16,684**	**233,713**

NOTES TO THE FINANCIAL STATEMENTS

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32. RESERVES *(Continued)*

(b) The Company *(Continued)*

Notes:–

(i) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the net asset values of the subsidiaries at the date they were acquired through an exchange of shares pursuant to the reorganisation completed in 2001. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) At 31 December 2009, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$229,543,000 (2008: HK$187,987,000) subject to the restrictions as stated above.

33. BUSINESS COMBINATION

The net assets acquired in the acquisition are as follows:–

	2009	2008				
	UUC	UII Group	Unipass	ECPAY	PLM	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 33(a)	*Note 33(b)*	*Note 33(c)*	*Note 33(d)*	*Note 33(e)*	
Cash and cash equivalents	**5**	3,849	–	5,600	2	9,451
Property, plant and equipment and prepaid land lease premium	**–**	73,890	–	–	–	73,890
Inventories	**–**	–	–	–	619	619
Debtors	**–**	51	–	–	59	110
Other receivables	**1,135**	25	1,144	–	1,901	3,070
Trade payable	**–**	–	–	–	(2,921)	(2,921)
Other payables	**(6)**	(5,377)	(1)	–	(2)	(5,380)
Amount due to a director	**–**	–	–	–	–	–
Accruals	**–**	(3)	–	–	–	(3)
	1,134	72,435	1,143	5,600	(342)	78,836
Minority interests	**–**	–	–	(1,120)	–	(1,120)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

33. BUSINESS COMBINATION *(Continued)*

	2009	2008				
	UUC	UII Group	Unipass	ECPAY	PLM	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note 33(a)	*Note 33(b)*	*Note 33(c)*	*Note 33(d)*	*Note 33(e)*	
Net assets/(liabilities) acquired	**1,134**	72,435	1,143	4,480	(342)	77,716
Goodwill arising on acquisition	**1**	65	1	33,352	3,402	36,820
Total purchase consideration	**1,135**	72,500	1,144	37,832	3,060	114,536
Satisfied by:–						
Deposit paid for acquisition of a subsidiary in previous year	**–**	3,060	–	–	–	3,060
Prepayments paid in previous year	**–**	–	–	–	3,060	3,060
Issue of new shares	**–**	69,440	–	–	–	69,440
Cash consideration	**1,135**	–	1,144	37,832	–	38,976
	1,135	72,500	1,144	37,832	3,060	114,536
Cash and cash equivalents acquired	**5**	3,849	–	5,600	2	9,451
Cash consideration	**(1,135)**	–	(1,144)	(37,832)	–	(38,976)
Net cash (outflow)/inflow on acquisition	**(1,130)**	3,849	(1,144)	(32,232)	2	(29,525)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

33. BUSINESS COMBINATION *(Continued)*

(a) On 7 December 2009, the Group acquired the entire equity interest in Universal Union Collection Limited ("UUC"), a company incorporated in the PRC and not yet commenced business. The acquired business did not contribute any revenue and net profit/loss to the Group for the period from 7 December 2009 to 31 December 2009.

(b) On 13 February 2008, the Group acquired the entire issued share capital of Universal iPayment International Limited ("UII"), an investment holding company incorporated in Hong Kong. UII held the entire interest of Universal Investment China Limited (formerly known as Universal iPayment China Limited) ("UIC") which was an investment holding company and incorporated in the PRC. The acquired business contributed revenues of approximately HK$4,000 and net loss of approximately HK$1,941,000 to the Group for the period from 13 February 2008 to 31 December 2008.

(c) On 24 July 2008, the Group acquired the entire equity interest in Universal Unipass Limited ("Unipass"), a company incorporated in the PRC and not yet commenced business. The acquired business did not contribute any revenue but net loss of approximately HK$200 to the Group for the period from 24 July 2008 to 31 December 2008.

(d) The Group originally held 20% equity interest in ECPAY. On 12 December 2008, the Group further acquired 80% equity interest in ECAPY which was engaged in provision of internet based remittance services and incorporated in the PRC. The acquired business contributed revenues of approximately HK$1,000 and net profit of approximately HK$100 to the Group for the period from 12 December 2008 to 31 December 2008.

(e) On 25 December 2008, the Group acquired the entire equity interest in PLM which was engaged in trading of timber and incorporated in the PRC. The acquired business did not contribute any revenue but net loss of approximately HK$2,000 to the Group for the period from 25 December 2008 to 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

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34. COMMITMENTS

(a) Operating leases commitments

(i) The Group

At 31 December 2009, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:–

	2009	2008
	HK$'000	HK$'000
Within one year	**773**	2,419
After one year but within five years	**–**	441
	773	2,860

Operating lease payments represent rentals payable by the Group for the use of servers and office premises. Leases are negotiated for a term ranging from one to two years with fixed monthly rentals.

(ii) The Company

At 31 December 2009, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating lease which falls due as follows:–

	2009	2008
	HK$'000	HK$'000
Within one year	**277**	543
After one year but within five years	**–**	278
	277	821

Operating lease payments represent rentals payable by the Company for the use of office premises. Lease is negotiated for a term of two years with fixed monthly rentals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. COMMITMENTS *(Continued)*

(b) Capital commitments

(i) The Group

Capital expenditure contracted for but not provided is as follows:–

	2009	2008
	HK$'000	HK$'000
Construction in progress	**11,099**	29,153

(ii) The Company

At 31 December 2009, the Company had no capital commitments.

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

The Group's policy is to prudently manage daily operations and invest surplus funds managed by the Group in a manner which satisfy liquidity requirements, safeguard financial assets, manage risks while optimising the returns.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, market price risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of the other parties, measured by the extent of past due or default.

In respect of debtors arising from trading business, individual credit evaluations are preferred on all customers requiring credit over a certain amount. These evaluation focus on the customer's past history of making payments when due and current ability to pay, and obtaining information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due with 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

NOTES TO THE FINANCIAL STATEMENTS

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(a) Credit risk *(Continued)*

The Group was not exposed to significant risk from debtors arising from online platform, the transactions of which are made in cash or via reliable major credit cards by limiting the amount of credit exposure to these financial institutions and the merchants.

The Group

Carrying amounts of financial assets at 31 December 2009, which represented the amounts of maximum exposure to credit risk, were as follows:–

	2009	2008
	HK$'000	HK$'000
Debtors	**13,538**	7,790
Other deposits and other receivables	**10,858**	7,022
Amounts due from related companies	**13**	13
Financial assets at fair value through profit or loss	**1,109**	682
Pledged time deposits	**–**	800
Cash and bank balances	**128,724**	63,228
	154,242	79,535

Except for debtors with carrying amount of HK$15,000 (2008: HK$16,000) which was past due but not impaired, the directors are satisfied with the credit quality of financial assets.

The Company

	2009	2008
	HK$'000	HK$'000
Other deposits and other receivables	**104**	134
Amounts due from subsidiaries	**190,612**	147,432
Amounts due from related companies	**13**	13
Cash and bank balances	**341**	2,011
	191,070	149,590

The directors are satisfied with the credit quality of amounts due from subsidiaries since the subsidiaries are financially healthy. Overall, the directors are satisfied with the credit quality of financial assets.

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For the year ended 31 December 2009

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the gearing ratio.

The Group

Maturities of the non-derivative financial liabilities of the Group at 31 December 2009 were as follows:–

	2009	2008
	HK$'000	HK$'000
Total amounts of contractual undiscounted obligations:–		
Bank loans and overdrafts	**44,935**	9,098
Trade payable	**1**	1
Payable to merchants	**75,213**	36,456
Sundry creditors and accruals	**12,383**	9,482
Amount due to a director	**29**	42
Amount due to an associate	**5**	5
	132,566	55,084
Due for payment:–		
Within one year or on demand	**103,557**	55,084
Within two to five years	**21,046**	–
Over five years	**7,963**	–
	132,566	55,084

NOTES TO THE FINANCIAL STATEMENTS

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35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

Maturities of the non-derivative financial liabilities of the Company at 31 December 2009 were as follows:–

	2009	2008
	HK$'000	HK$'000
Amounts due to subsidiaries	**96,459**	39,337
Accruals	**281**	502
	96,740	39,839
Due for payment:–		
Within one year or on demand	**96,740**	39,839

(c) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(c) Currency risk *(Continued)*

Carrying amounts of monetary financial assets and monetary financial liabilities at 31 December 2009 exposed to currency risk against Hong Kong dollars were as follows:–

The Group

	2009	2008
	HK$'000	HK$'000
Financial assets denominated in foreign currencies:–		
Cash and bank balances	**119,452**	53,607
Debtors	**13,519**	7,790
Other deposits and other receivables	**6,785**	6,277
	139,756	67,674
Financial liabilities denominated in foreign currencies:–		
Bank loans	**44,935**	9,095
Trade payable	**1**	1
Payable to merchants	**67,092**	33,836
Sundry creditors and accruals	**8,594**	6,577
	120,622	49,509
Net financial assets exposed to currency risk	**19,134**	18,165

The Group's net financial assets exposed to currency risk were primarily denominated in the following currencies:–

	2009	2008
	HK$'000	HK$'000
United States dollars	**6,112**	68
Renminbi	**13,022**	18,097
	19,134	18,165

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(c) Currency risk *(Continued)*

The Company

	2009	2008
	HK$'000	HK$'000
Financial asset denominated in foreign currencies:–		
Cash and bank balances	**16**	16
Net financial asset exposed to currency risk	**16**	16

The Company's net financial asset exposed to currency risk were primarily denominated in the following currency:–

United states dollars	**16**	16

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from Renminbi, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as there were insignificant fluctuation in exchange rate between Hong Kong dollar and Renminbi.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

Should Hong Kong dollars at 31 December 2009 devalue by 10% against Renminbi, the carrying amount of the net financial assets exposed to currency risk at 31 December 2009 determined in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would be increased, and hence the equity at 31 December 2009 would be increased by HK$1,302,000 (2008: HK$1,810,000); and no effect on the profit for the year ended 31 December 2009 and 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. The Group manages market prices risk, when it is considered significant, by entering into appropriate derivatives contracts.

The Group is exposed to equity price risk arising from equity investments classified as financial assets at fair value through profit or loss (note 23). The Group is not exposed to commodity price risk.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity price had been 10% higher/lower, post-tax profit for the year ended 31 December 2009 would be increased/decreased by HK$111,000 (2008: HK$68,000); and hence the equity at 31 December 2009 would be increase/decreased by HK$111,000 (2008: HK$68,000) as a result of the change in fair value of equity investments.

All investments are subject to a maximum concentration limit predetermined by the Board.

The Company has no significant exposure to market price risk.

(e) Interest rate risk

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

The Group's exposure to interest rate risk arises from its bank balances and bank loans and the Company's exposure to interest rate risk arises from its bank balances. The bank balances bear interest at rates varied with the then prevailing market condition. If the market interest rate at 31 December 2009 had been 10 basis point lower or higher with all other variables held constant, there would be no significant change to the profit for the year.

At 31 December 2009, the Group's bank loans of HK$44,935,000 (2008: HK$9,095,000) bear fixed interest rates and were measured at amortised cost, their carrying amounts would not be affected by changes in market interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

35. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS *(Continued)*

(f) Fair values

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the amendments to HKFRS 7 "Financial Instruments: Disclosures", require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2009, the only financial instrument of the Group carried at fair value was financial assets at fair value through profit or loss of HK$1,109,000 listed on the Stock Exchange of Hong Kong (see note 23). These instruments fall into Level 1 of the fair value hierarchy described above.

During the year ended 31 December 2009, there were no significant transfers between financial instruments in level 1 and level 2.

At 31 December 2009, the Company did not have any financial instrument carried at fair value.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2009 and 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

36. RELATED PARTY TRANSACTIONS

(a) Apart from the transaction as disclosed in notes 22, 28 and 37 to the financial statements, the Group had no other material transaction with its related party during the year.

(b) Key management compensation

	2009 HK$'000	2008 HK$'000
Fees for key management personnel	**263**	310
Salaries, allowances and other benefits in kind	**2,476**	2,903
Pension scheme contributions	**347**	297
Equity-settled share-based payment expenses	**667**	2,600
	3,753	6,110

37. BANKING FACILITIES

At 31 December 2009, the Group's banking facilities to the extent of approximately HK$92,714,000 (2008: HK$11,370,000) were secured by:–

(a) unlimited cross guarantees executed by its subsidiaries;

(b) property held under medium-term lease and prepaid land lease premium (notes 13(a) and 14); and

(c) construction in progress (note 13(a)).

Such banking facilities were utilised by its subsidiaries to the extent of approximately of HK$44,935,000 (2008: HK$9,095,000).

38. CONTINGENT LIABILITIES

At 31 December 2009, the Group and the Company had no contingent liabilities.

39. SEGMENT REPORTING

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources.

The Group has presented the following three reportable segments. No operating segment has been aggregated to form the following reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. SEGMENT REPORTING *(Continued)*

(a) Payment solutions

This segment primarily derives its revenue from the provision of payment solutions and ongoing technical support services to customers in the PRC, Hong Kong and overseas.

(b) Timber trading and furniture manufacturing

This segment engaged in trading of timber and manufacturing of furniture to customers in the PRC.

(c) Trading and system integration

This segment engaged in trading, provision of system integration and related technical support services to customers in the PRC.

Others include property-related business, supporting units of Hong Kong operation and the net result of other subsidiaries in Hong Kong and the PRC. These operating segments have not been aggregated to form a reporting segment.

The key management assesses the performance of the segments based on the results, assets and liabilities attributable to each reportable segment on the following basis:–

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets and liabilities excluded financial assets at fair value through profit or loss, bank loans and deferred tax liability.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of an associate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. SEGMENT REPORTING *(Continued)*

(a) Segments results, assets and liabilities

The following table presents the information for the Group's reporting segments:–

	Reportable segments									
	Payment solutions		Timber trading and furniture manufacturing		Trading and system integration		Others		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Revenue										
Revenue from external customers	**72,050**	66,484	**14,639**	8,665	**284**	2	**–**	–	**86,973**	75,151
Other revenue	**1,159**	723	**105**	1,719	**4**	–	**229**	32	**1,497**	2,474
Total revenue	**73,209**	67,207	**14,744**	10,384	**288**	2	**229**	32	**88,470**	77,625
Segment profit	**37,045**	40,874	**2,409**	2,012	**(679)**	1	**(13,538)**	(21,656)	**25,237**	21,231
Interest income									**711**	774
Profit from operations									**25,948**	22,005
Finance costs									**(1,181)**	(1,235)
Share of results of an associate									**–**	(13)
Profit before income tax									**24,767**	20,757
Income tax credit									**1,797**	1,626
Profit for the year									**26,564**	22,383
Attributable to:										
– Shareholders of the Company									**28,478**	22,426
– Minority interests									**(1,914)**	(43)
									26,564	22,383

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. SEGMENT REPORTING *(Continued)*

(a) Segments results, assets and liabilities *(Continued)*

	Reportable segments									
	Payment solutions		Timber trading and furniture manufacturing		Trading and system integration		Others		Consolidated	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Depreciation for the year	1,418	1,378	289	242	–	–	458	512	2,165	2,132
Amortisation	–	111	26	26	–	–	1,909	1,018	1,935	1,155
Impairment of goodwill	–	–	–	–	–	–	1	–	1	–
Segment assets	173,344	110,311	36,884	36,516	2,240	–	178,661	139,727	391,129	286,554
Unallocated assets	–	–	1,109	682	–	–	–	–	1,109	682
Total assets	173,344	110,311	37,993	37,198	2,240	–	178,661	139,727	392,238	287,236
Segment liabilities	81,233	41,196	3,810	2,378	15	–	6,641	4,415	91,699	47,989
Unallocated liabilities	9,101	7,483	2,275	3,410	–	–	33,559	–	44,935	10,893
Total liabilities	90,334	48,679	6,085	5,788	15	–	40,200	4,415	136,634	58,882
Capital expenditure incurred during the year	1,543	1,141	409	532	3	–	35,192	4,235	37,147	5,908

Amounts of HK$13,373,000, HK$11,658,000, and HK$8,998,000 (2008: HK$25,111,000), which were individually more than 10 percent of the Group's revenue and included in the revenue of payment solutions segment, were revenue from transactions with three (2008: one) single customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. SEGMENT REPORTING *(Continued)*

(b) Geographical information

The following table presents the information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets:–

	PRC		Hong Kong/Overseas		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**61,853**	56,423	**25,120**	18,728	**86,973**	75,151
Other revenue	**908**	2,328	**589**	146	**1,497**	2,474
Total revenue	**62,761**	58,751	**25,709**	18,874	**88,470**	77,625
Non-current assets	**156,859**	121,713	**50,592**	51,064	**207,451**	172,777

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and prepaid land lease premium, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operation, in the case of interest in an associate.

40. NON-ADJUSTING POST BALANCE SHEET EVENT

After the end of the reporting period, the board of directors proposed a final dividend. Further details are disclosed in note 10.

41. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised), "Presentation of Financial Statements" and HKFRS 8, "Operating Segments", certain comparative figures have been adjusted to conform to current year's presentation and provide comparative amounts in respect of item disclosed for the first time in 2009. Further details of these developments are disclosed in note 2(a).

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				Period from 1 April 2005 to 31 December
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**86,973**	75,151	72,265	40,546	7,750
Profit/(loss) for the year/period	**26,564**	22,383	12,648	5,562	(9,380)
Attributable to:					
Shareholders of the Company	**28,478**	22,426	12,648	5,562	(9,380)
Minority interests	**(1,914)**	(43)	–	–	–
	26,564	22,383	12,648	5,562	(9,380)

ASSETS AND LIABILITIES

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS	**207,451**	172,777	60,756	48,580	45,946
CURRENT ASSETS	**184,787**	114,459	166,644	65,770	31,547
DEDUCT:					
CURRENT LIABILITIES	**107,625**	57,084	88,345	31,045	32,199
NET CURRENT ASSETS/(LIABILITIES)	**77,162**	57,375	78,299	34,725	(652)
	284,613	230,152	139,055	83,305	45,294
DEDUCT:					
NON-CURRENT LIABILITIES	**(29,009)**	(1,798)	(3,030)	(23,972)	(35,182)
NET ASSETS	**255,604**	228,354	136,025	59,333	10,112