



中國創新投資有限公司

China Innovation Investment Limited

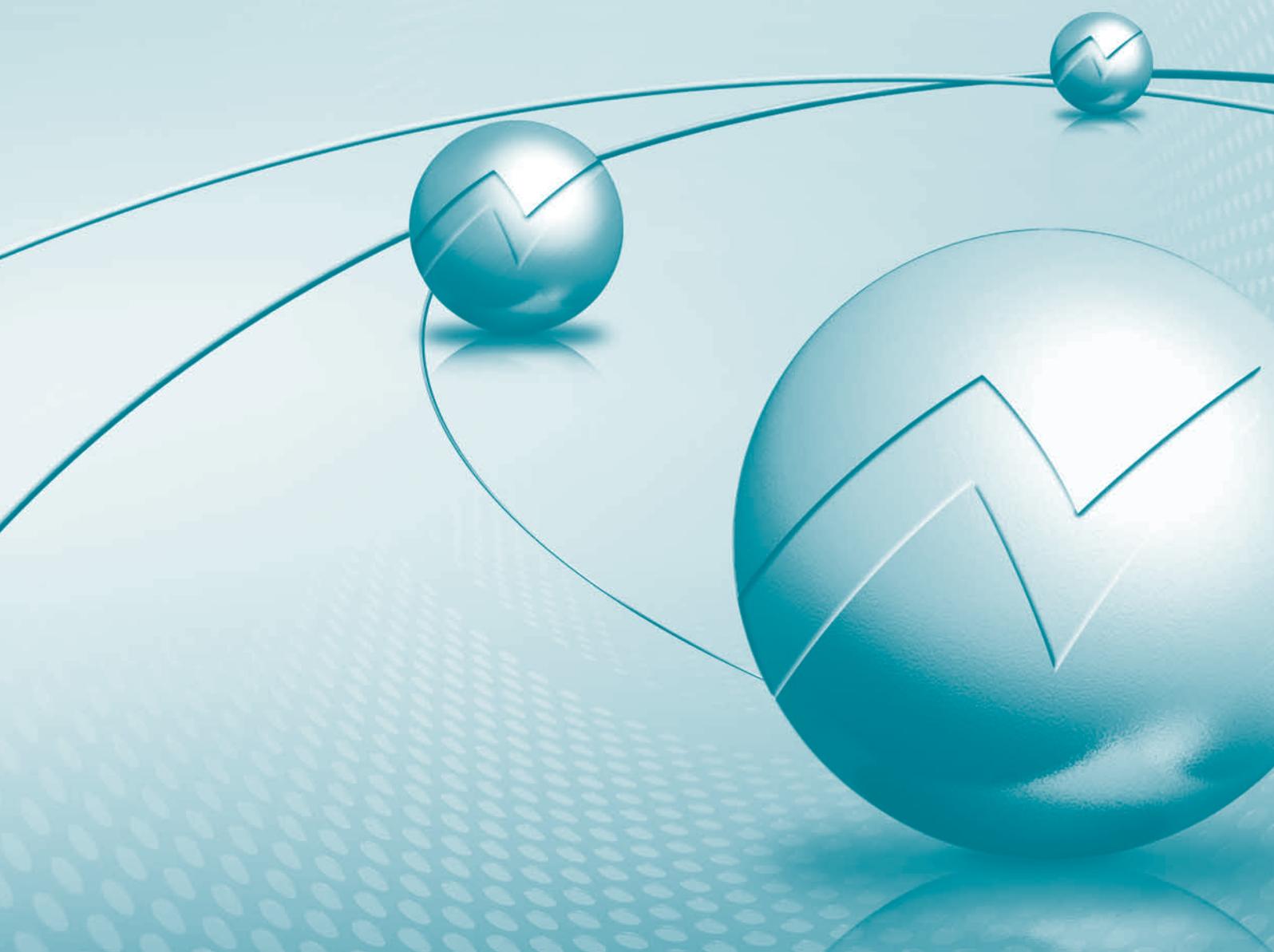
(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1217)

Annual Report
2009

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Corporate Governance Report	7
Biographical Details of Directors	12
Report of the Directors	14
Independent Auditor's Report	25
Income Statement	26
Statement of Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Statement of Cash Flows	31
Notes to the Financial Statements	32



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xiang Xin (*Chairman and Chief Executive Officer*)

Mr. Chan Cheong Yee

Mr. Wong Chak Keung

Non-executive Director

Mr. Ng Kwong Chue Paul

Independent Non-executive Directors

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

COMPANY SECRETARY

Mr. Wong Chak Keung

AUTHORIZED REPRESENTATIVES

Mr. Xiang Xin

Mr. Wong Chak Keung

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. David Wang Xin (*Chairman*)

Mr. Zang Hong Liang

Mr. Lee Wing Hang

REGISTERED OFFICE

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West Road

Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited

Butterfield House, 68 Fort Street

P.O. Box 705, George Town

Grand Cayman KY1-1107

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

18/F., Fook Lee Commercial Centre

Town Place, 33 Lockhart Road

Wanchai, Hong Kong

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDITORS

Graham H.Y. Chan & Co.

Certified Public Accountants (Practising)

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

Hang Seng Bank

UBS AG

CUSTODIAN

China Everbright Securities (HK) Limited

Hang Seng Bank

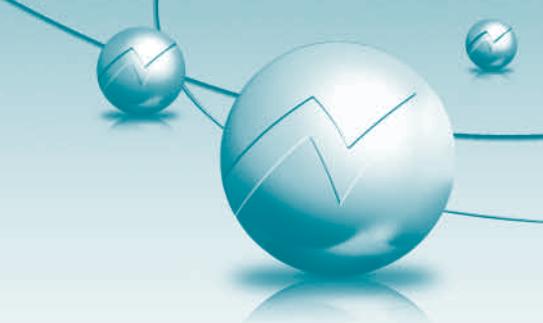
UBS AG

STOCK CODE

1217

WEBSITE

www.1217.com.hk



CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2009, the Company hold investments in four unlisted companies namely Jinan LuGu (HK) Technology Development Limited, Blue Angel (H.K.) Limited, Takenaka Investment Company Limited and Dooda Innovation Limited which amounting to total cost and carrying value of approximately HK\$84.5 million and HK\$80 million respectively. The Company also held Hong Kong listed equity securities in the fair value of HK\$34,089,600.

REVIEW ON POTENTIAL INVESTMENTS

On 8 May 2009, the Company entered into an acquisition agreement with China Seed International Limited (the "Vendor"), pursuant to which, among other things, the Company had conditionally agreed to purchase from the Vendor 310 shares in the issued share capital of Topsun Creation Limited ("Topsun"), with voting rights withdrawn for an aggregate consideration of HK\$20 million. The consideration would be satisfied by the issue of the consideration shares at the issue price of HK\$0.05 per share. Accordingly, 400,000,000 shares of HK\$0.01 each at the issue price of HK\$0.05 were allotted and issued as fully paid by the Company on 30 March 2010.

The Company entered into a subscription agreement, on 8 May 2009, with Topsun, pursuant to which the Company has conditionally agreed to subscribe from Topsun 250 shares in the issued share capital of Topsun for an aggregate consideration of RMB10 million which will be satisfied through bank transfer. Up to the date of this report, the subscription has not been completed.

On 25 November 2009, the Company entered into a Framework Agreement with Kenon Holdings Limited ("Kenon"), a company incorporated in the British Virgin Islands, to which the Company intends to acquire a great portion of the issued share capital of C.G.E. (H.K.) Limited ("CGE"), with the voting right to be withdrawn, at a consideration of not exceeding HK\$23,000,000, which is currently expected to be satisfied by the issue of convertible bonds by the Company. CGE is a company incorporated in Hong Kong with limited liability and holds the entire equity interest in Creative Galaxy Electric (Shenzhen) Co., Ltd., a company established in the PRC. It mainly engages in research and development, production and sales of various series of the civil and military dual-application of LED and LCD backlight power supply, built-in power supply related optoelectronic products, electronic devices and provision of related technical services.



CHAIRMAN'S STATEMENT

PROSPECTS

Looking forward, the Company will actively look for potential investment opportunities to achieve medium-term capital appreciation. The Company's investment objective is to make its strategic investment through the "new energy", "new light" and "new materials" industry.

In "new energy" industry, the Company recently completed the strategic investment in Topsun Creation Limited ("Topsun") in March 2010. Topsun is an enterprise engaged in the field of new energy application and its business includes the research and development, production and sales of new energy of high capacities batteries for civil and military dual-used products. With the characteristics of high capacity, fully sealed and maintenance-free in nature, these batteries are commonly being used in military products (e.g. tanks and submarines) and civil products (e.g. vehicles and factory building). It will be the potential and enormous market for both civil and military products using the new energy application.

In "new light" industry, the Company has been granted a first right of refusal to invest in 北京北方光電有限公司 (China Opto-Electro Industries Co., Ltd), a wholly-owned subsidiary of 中國兵器集團公司 (China North Industries Group Corporation). The Company completed the strategic investment in Dooda Innovation Limited ("Dooda") in late 2009. Dooda is principally engaged in research and development, production and distribution of products applying the new LED backlight and lighting technology. The Company also entered into a non-legal binding framework agreement with a vendor on the possible acquisition of a great portion of the issued share capital of C.G.E. (HK) Co., Limited ("CGE"). CGE is also mainly engaged in research and development, production and sales of various series of the civil and military dual application of LED and LCD backlight power supply, built-in power supply related optoelectronic products, electronic devices and provision of related technical services. With the global awareness of the "green energy" concept, the application of LED will gradually become a new source of "new light" industry with potential development.

In "new material" industry, through the investment in Takenaka Investment Company Limited, the Company already invested in Zhenjiang Fujieda Copper Foil Company Limited which served as a important upstream supplier to produce civil and military dual-used copper foil materials with advanced technology for electronic products applying the concept of "new energy" and "new light". The Company also entered into the acquisition agreement with United Crown Century Company Limited (formerly known as "Moral Glory Limited") preparing for its investment in energy-saving "new materials" industry.

With its strategic investment through the "new energy", "new light" and "new materials" industry, the Company, will further apply the integration and usage of three new resources industries. The Company's investment in Blue Angel (H.K.) Limited will be principally engaged in the production and assembly of solar electric cars, solar energy electronic books and solar energy advertising screens and other electronic innovations with the use of solar energy and LED technologies. The Company's investment strategy is to participate in "new energy", "new light" and "new materials" industries to maximize the future growth and development of these new resources industries. The Company is still looking for investment opportunities in new technologies like solar energy, wind energy, geothermal energy to outline a completed industry chain of energy conservation and assist in building a low-carbon society.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost support and contribution to the Company during the year.

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong, 22 April 2010



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company and the Company's shares were listed on The Main Board of The Stock Exchange of Hong Kong Limited on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As at 31 December 2009, the Company hold investments in four unlisted companies namely Jinan LuGu (HK) Technology Development Limited, Blue Angel (H.K.) Limited, Takenaka Investment Company Limited and Dooda Innovation Limited which amounting to total cost and carrying value of approximately HK\$84.5 million and HK\$80 million respectively. The Company also held Hong Kong listed equity securities in the fair value of HK\$34,089,600.

INVESTMENT PORTFOLIOS

As at 31 December 2009, the Company hold the following investments:

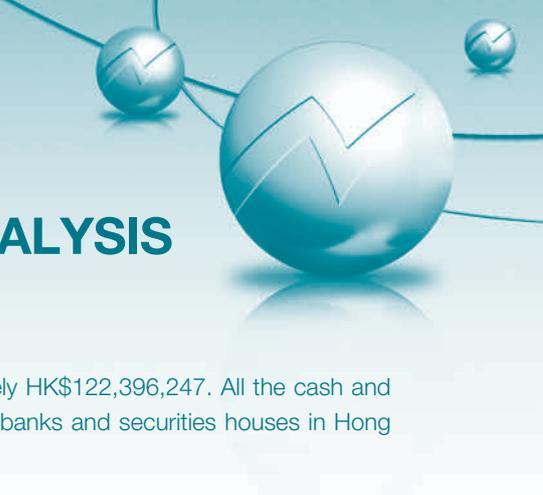
Jinan LuGu (HK) Technology Development Limited ("Jinan LuGu") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2009, it indirectly held 59.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 陶瓷微電路基板·微電路模塊·陶瓷電子元(組)件. The Company holds 250 ordinary shares in Jinan LuGu, representing 25% interest in the issued share capital of Jinan LuGu. The Company did not receive any dividend from this investment during the year.

Blue Angel (H.K.) Limited (formerly known as SNG Hong Kong Limited) ("BA") is incorporated in Hong Kong and principally engaged in investment holding. In previous years, BA indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and trading of 發光二極管芯片. As at 31 December 2009, BA held an intangible assets amounting to HK\$90,000,000. The Company holds 3,750 ordinary shares in BA, which represented 30% interest in the issued share capital of BA in 2008. During the year, a share allotment of 37,500 ordinary shares to a third party with the intangible asset as part of the consideration was completed. Accordingly, the company's share interest in BA was diluted to 7.5%. No dividend was received during the year.

Takenaka Investment Company Limited ("Takenaka Investment") is incorporated in the British Virgin Islands and principally engaged in investment holding. Its principal assets mainly comprises its 65% indirect equity interest in Zhengjiang Fujieda Copper Foil Company Limited* (鎮江藤枝銅箔有限公司), a sino-foreign joint venture company established in the PRC with limited liability and will be principally engaged in the manufacture and sale of copper foil materials for both civil and military uses. The acquisition of Takenaka Investment was completed in January 2008 in the aggregate amount of HK\$38.7 million by cash payment of HK\$11.61 million and the remaining balance of HK\$27.09 million by the issue of the consideration shares of the Company at the issue price of HK\$0.15. It represented (i) 30% of the issued share capital in the amount of HK\$15,124,500 and (ii) the shareholders' loan in the amount of HK\$23,575,500 in Takenaka Investment. The Company did not receive any dividend from Takenaka Investment during the year.

Dooda Innovation Limited (formerly known as Join Oriental Holdings Limited) ("Dooda") is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2009, Dooda directly held 95% interest in a company incorporated in the PRC, of which the principal activity will be conducting research and development, manufacturing and distribution of products applying the new LED backlight and lighting technology. The Company holds 2,250 non-voting shares and 150 voting shares in Dooda, representing 80% interest in the issued share capital of Dooda. The Company holds 20% voting right in term of voting shares in Dooda. No dividend was received during the year.

As at 31 December 2009, the Company held listed equity securities in Hong Kong in the fair value of HK\$34,089,600.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2009, the Company had cash and bank balances of approximately HK\$122,396,247. All the cash and bank balances were mainly placed as short-term deposits in Hong Kong dollars with banks and securities houses in Hong Kong.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (net debt to shareholders' funds) as at 31 December 2009. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

FOREIGN CURRENCY FLUCTUATION

The Company mainly operates its business transactions in Hong Kong dollars and thus is not exposed to foreign currency risk. No hedging or other alternatives have been implemented.

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

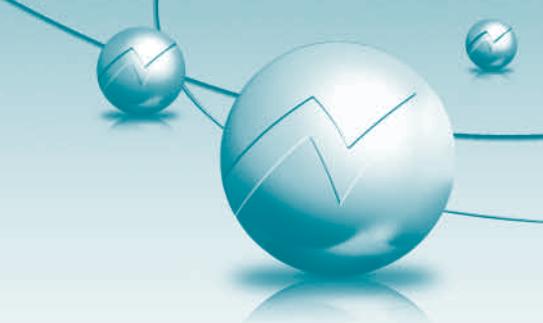
As at 31 December 2009, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2009.

EMPLOYEE INFORMATION

As at 31 December 2009, the Company had 9 (2008: 5) employees. The Company ensured that its employees are remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.



CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of the Company is committed to establishing and maintaining high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company’s shareholders. The Company devotes to best practice on corporate governance, and to comply with the extent practicable, with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

During the year ended 31 December 2009, the Company has complied with the code provisions in the Code, save for deviation from Codes A.2.1 and A.4.1.

- The roles of chairman and chief executive officer should be separated and should not be performed by the same individual.
- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company’s Articles of Association and shall be eligible for re-election.

Mr. Xiang Xian has been elected by the Board to replace Mr. Wang Qing Yu, the former chairman of the Company, as the chairman of the Company effective on 1 August 2009. Mr. Xiang performs both of the roles as the chairman and the chief executive officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including Independent Non-executive Directors) are subject to retirement by rotation in accordance with the Company’s Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Directors of the Company have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board currently consists of three executive Directors, one non-executive Director and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company’s Articles of Association and shall be eligible for re-election. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the next general meeting after their appointment and shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. Approval of the Board is required for the strategy of the Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

The Directors may have access to the advice and services of the company secretary of the Company with the view to ensuring that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The attendance of individual members at board meetings and executive committee meetings held during the year ended 31 December 2009 are set out as below:

Name of Directors	Board meetings Attendance	Executive Committee meetings Attendance
<i>Executive Directors:</i>		
Mr. Xiang Xin	2/2	14/14
Mr. Chan Cheong Yee	2/2	12/14
Mr. Wong Chak Keung	2/2	14/14
<i>Non-executive Directors:</i>		
Mr. Wang Qing Yu	0/2	N/A
Mr. Ng Kwong Chue Paul	0/2	N/A
<i>Independent non-executive Directors:</i>		
Mr. David Wang Xin	1/2	N/A
Mr. Lee Wing Hang	0/2	N/A
Mr. Zang Hong Liang	0/2	N/A

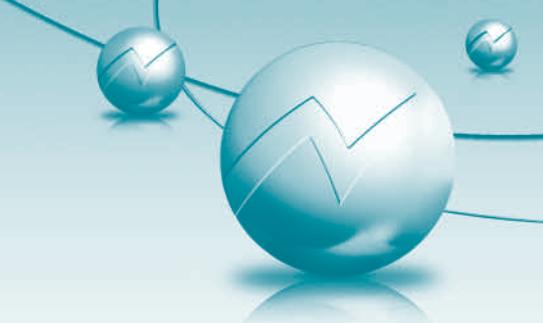
The biographical details of the Directors are set out on pages 12 to 13 of this annual report.

To the best knowledge of the Company, none of the Directors above has any financial, business and family or other material/relevant relationship with any of the other Directors.

All independent non-executive Directors are financially independent from the Company. The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang is the Chairman of the Board and the Chief Executive Officer of the Company.



CORPORATE GOVERNANCE REPORT

Such practice deviates from code provision A.2.1 of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the chairman and the chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

The Chairman's and the Chief Executive Officer's responsibility is to manage the Board and the Group's day-to-day business, respectively.

Management is responsible for the day-to-day operations of the Company under the leadership of the Chief Executive Officer. The Chief Executive Officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee currently comprises three members, including all executive Directors of the Company.

The Executive Committee held periodical meetings during the year ended 31 December 2009 to review, discuss and evaluate the business performance and other business and operational matters of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in the year 2006 with terms of reference as set out in the Code. The Remuneration Committee consists of three independent non-executive Directors. As at the date of this report, the members of the Remuneration Committee are as follows:

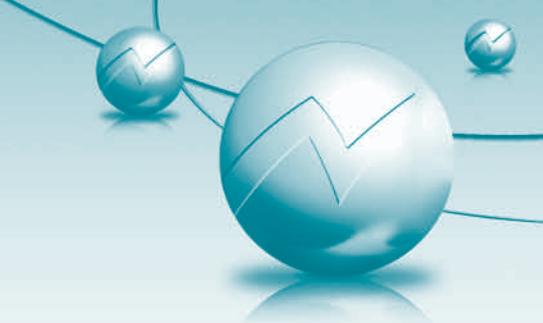
Mr. David Wang Xin (*Chairman*)
Mr. Zang Hong Liang
Mr. Lee Wing Hang

The principal duties of the Remuneration Committee include formulation of the remuneration policy; review and recommending to the Board the annual remuneration; make recommendation to the Board of the remuneration of non-executive directors; and determination of the remuneration of executive directors and members of the senior management.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was set up on 3 August 2007. In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

During the year ended 31 December 2009, there was no meeting held by the Nomination Committee in resolving the appointment of a new Director.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established by the Board since the listing of the Company's shares on the Stock Exchange on 28 August 2002. The Audit Committee has its written terms of reference adopted since its establishment in compliance with the Code as set out in Appendix 14 of the Listing Rules. As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. David Wang Xin, Mr. Zang Hong Liang and Mr. Lee Wing Hang.

Mr. David Wang Xin is the chairman of the Audit Committee. Each member of the Audit Committee shall abstain from voting on any resolutions in respect of matter in which he is interested. The Audit Committee met at least twice during the year and the respective attendance at such meeting during the year ended 31 December 2009 was:

Name of Directors	Attendance
Mr. David Wang Xin	2/2
Mr. Lee Wing Hang	2/2
Mr. Zang Hong Liang	2/2

The Audit Committee is responsible for reviewing the Company's interim and annual financial statements and making recommendation as to the approval of the Company's interim and annual financial statements by the Board. Members of the Audit Committee have complete and unrestricted access to the external auditors.

The Audit Committee has reviewed both the half year results for the period ended 30 June 2009 and the annual results for the year ended 31 December 2009 of the Company before announcement of both results.

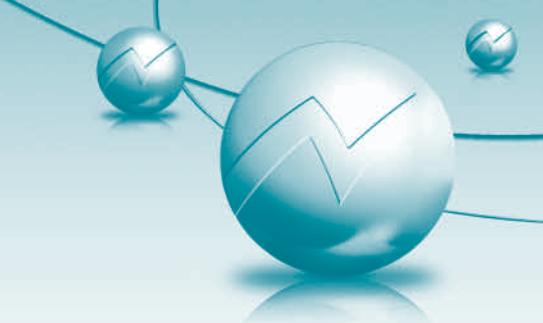
INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company's simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Company's risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

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

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company's internal control systems is sufficient.



CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2009, the Directors have:

- based on a going concern basis;
- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable;
- ensured that the financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

EXTERNAL AUDITORS

The responsibilities of the external auditors with respect to financial reporting are set out in the section of “Independent Auditor’s Report” on page 25.

AUDITORS’ REMUNERATION

During the year under review, the remuneration paid and payable to the Company’s auditors, Messrs. Graham H.Y. Chan & Co., is set out as follow:

Audit fee for the year	HK\$128,000
Non-audit services	
– tax compliance	HK\$2,500
– others	HK\$19,500



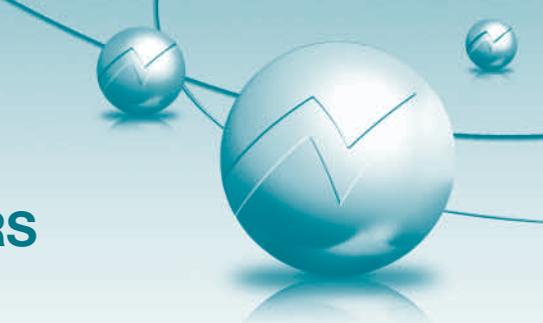
BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xiang Xin, aged 47, an executive Director and the Chief Executive Officer, joined the Company in January 2003. He has worked for quite a few large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. He also has many years of experience in project investment and telecommunications network businesses. Mr. Xiang holds a bachelor degree in Science and a master degree in Engineering from Nanjing University of Science & Technology. Mr. Xiang is also an executive director of China Trends Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 25 February 2008.

Mr. Chan Cheong Yee, aged 46, an executive Director, joined the Company in June 2003. Mr. Chan has obtained a bachelor of science degree from the College of Business Administration of The University of South Florida in the United States. Mr. Chan was appointed as an independent non-executive director of Ecom International Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, on 28 August 2007. Mr. Chan has been promoted to executive director of Ecom International Limited since 14 April 2009. On top of the directorships mentioned above, from 2004 to 2006, Mr. Chan was an independent non-executive director of Cosmopolitan International Holdings Limited, a company listed on the Stock Exchange, and from 1 June 2002 to 30 June 2003, he was an executive director of Haywood Investments Limited (currently Apex Capital Limited), an investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules. From May 2004 to February 2005, he was an independent non-executive director of GP Nano Technology Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange until 9 June 2005. Mr. Chan was an independent non-executive director of Aurum Pacific (China) Group Limited (formerly known as S&D International Development Group Limited), a company listed on the Growth Enterprise Market of the Stock Exchange during the period from 27 March 2007 to 14 July 2008. Mr. Chan is a licensed person under the SFO for regulated activities in dealing in securities, dealing in futures contracts, leveraged foreign exchange trading and asset management and is a responsible officer of China Everbright Securities (HK) Limited, which is licensed corporations under the SFO.

Mr. Wong Chak Keung, aged 43, an executive Director and company secretary, joined the Company in November 2007. Mr. Wong holds a bachelor's degree in business from The University of Southern Queensland in Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Wong has been in the accounting profession for over 15 years. Mr. Wong worked in various positions in an international accounting firm, corporate finance, educational business and manufacturing sector in Hong Kong. Mr. Wong is also an executive director of China Trends Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 25 February 2008.



BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Ng Kwong Chue Paul, aged 39, a non-executive Director, joined the Company as executive Director in April 2003 and re-designated as non-executive Director in May 2006. He has more than 12 years of experience in audit, taxation and corporate finance areas. Mr. Ng was one of the founders of the Company. He is also the company secretary and chief investment officer of JLF Investment Company Limited, a company listed on the main board of the Hong Kong Stock Exchange. Mr. Ng also manage a private equity funds with total fund size over HK\$700 million. He holds a bachelor degree in Commerce from The University of Melbourne. He is a member of CPA Australia, Hong Kong Institute of Certified Public Accountants and a certified management consultant with Australia Institute of Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Wang Xin, aged 47, an independent non-executive Director and is a chairman of the audit committee of the Company, joined the Company in October 2002. He is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor's degree in Mechanical Engineering in 1982 and a master's degree in Business Administration in 1985.

Mr. Zang Hong Liang, aged 42, an independent non-executive Director and is a member of the audit committee of the Company, joined the Company in September 2004. He is at present a partner of Global Law Office, a large law firm in the PRC. He graduated from the Faculty of Law of Xiamen University in 1991 and Postgraduate Institute of China University of Political and Law Science in 1994. He holds a bachelor degree in International Economic Law and a master degree in Commercial Law. Mr. Zang's area of practice includes laws on commercial litigation, arbitration, investment and anti-dumping.

Mr. Lee Wing Hang, aged 41, an independent non-executive Director and a member of the audit committee of the Company, joined the Company in December 2006. He is the partner of Tony W. H. Lee & Co., Certified Public Accountants (Practising). He holds a bachelor degree in accountancy from Australia. He has over 15 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.



REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) have pleasure to present their report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and the People’s Republic of China (“PRC”).

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the income statement on page 26.

The Board has resolved not to declare any dividend (2008: nil) for the year under review.

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on pages 29 to 30.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution.

As at 31 December 2009, the Company had distributable reserves amounting to approximately HK\$258,114,000 (2008: approximately HK\$186,108,000).

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out below:

	2009 HK\$	2008 HK\$	2007 HK\$	2006 HK\$	2005 HK\$
Revenue (note)	10,800,751	17,921,507	4,102,283	428,041	7,474,554
Profit/(loss) attributable to owners of the Company	30,739,249	(28,164,843)	(5,088,915)	(1,187,183)	(9,511,663)
Total assets	348,223,720	258,881,724	201,960,939	29,562,554	27,175,992
Total liabilities	(318,663)	7,339,881	(1,600,971)	(434,577)	(154,540)
Net assets	347,905,057	251,541,843	200,359,968	29,127,977	27,021,452

Note: Revenue for 2005 to 2007 were restated to conform with current year presentation.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 19 to the financial statements.

ZERO COUPON CONVERTIBLE BONDS

Details of movement in zero-coupon convertible bonds of the Company during the year are set out in note 20 to the financial statements.

DIRECTORS

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

Executive Directors:

Mr. Xiang Xin (*Chairman and Chief Executive Officer*)

Mr. Chan Cheong Yee

Mr. Wong Chak Keung

Non-executive Directors:

Mr. Wang Qing Yu (*former Chairman*) (resigned on 1 August 2010)

Mr. Ng Kwong Chue Paul

Independent non-executive Directors:

Mr. David Wang Xin

Mr. Zang Hong Liang

Mr. Lee Wing Hang

REPORT OF THE DIRECTORS

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. David Wang Xin, Mr. Ng Kwong Chue Paul and Mr. Lee Wing Hang shall retire and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 12 to 13 of this annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2009, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), 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 (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

(i) Long position in the Shares

Name	Interest in Shares	Capacity	Approximate percentage of interests
Xiang Xin	1,723,335,379	Corporate interests (<i>note 1</i>)	27.92%
Chan Cheong Yee	6,000,000	Beneficiary	0.09%
Wong Chak Keung	10,656,000	Beneficiary	0.17%
Lee Wing Hang	1,000,000	Beneficiary	0.01%

Note:

1. The 1,723,335,379 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

REPORT OF THE DIRECTORS

(ii) Long position in the underlying shares – share options

Name	Date of grant	Exercise period	Number of share options outstanding as at 31 December 2009	Exercise price per share	Number of total underlying Shares	Approximate percentage of interests
Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500	22,040,000	0.35%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Chan Cheong Yee	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	0.2000	20,000,000	0.32%
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010	6,384,000	0.0500	26,384,000	0.42%
	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	0.2000		
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	0.0244	23,764,262	0.38%
	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	0.0500		
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	0.0244	26,137,704	0.42%
	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500		
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	0.0500	22,040,000	0.35%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010	10,000,000	0.0500	15,000,000	0.24%
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	0.2000		

REPORT OF THE DIRECTORS

(iii) Long position in the unlisted warrants ("2008 Warrants") of the Company

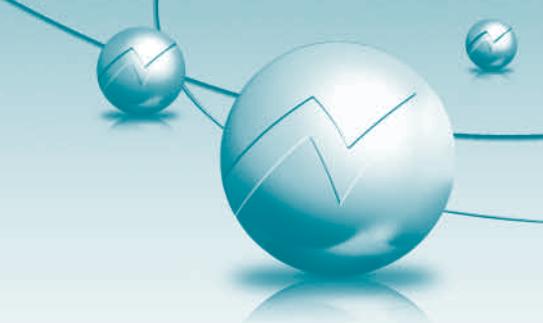
Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Xiang Xin	800,000,000	Corporate interest (note 1)	12.96%

Note:

1. The underlying Shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.

The 2008 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013.

Save as disclosed above, none of the Directors or the chief executive of the Company or any of their respective associates had, as at 31 December 2009, any interests and 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 SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the “Scheme”), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders’ approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

As at 31 December 2009, a total of 432,317,183 share options (representing approximately 7.01% of the existing issued share capital of the Company at that date) have been granted and outstanding pursuant to the Scheme.

REPORT OF THE DIRECTORS

Details of the options granted under the Scheme and outstanding at 31 December 2009 are as follows:

Name	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2009	Price per share to be paid on exercise of options HK\$
			Outstanding as at 1 January 2009	Granted during the year	Lapsed during the year	Exercise during the year		
Xiang Xin	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	-	-	-	17,040,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	-	-	-	5,000,000	0.2000
Chan Cheong Yee	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	-	-	-	20,000,000	0.2000
Wong Chak Keung	18.10.2007	18.10.2007 to 15.10.2010	6,384,000	-	-	-	6,384,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	20,000,000	-	-	-	20,000,000	0.2000
Ng Kwong Chue Paul	29.1.2003	28.8.2003 to 27.8.2013	10,244,262	-	-	-	10,244,262	0.0244
	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	-	-	-	8,520,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	-	-	-	5,000,000	0.2000
David Wang Xin	29.1.2003	28.8.2003 to 27.8.2013	4,097,704	-	-	-	4,097,704	0.0244
	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	-	-	-	17,040,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	-	-	-	5,000,000	0.2000
Zang Hong Liang	18.10.2007	18.10.2007 to 15.10.2010	17,040,000	-	-	-	17,040,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	-	-	-	5,000,000	0.2000
Lee Wing Hang	18.10.2007	18.10.2007 to 15.10.2010	10,000,000	-	-	-	10,000,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	-	-	-	5,000,000	0.2000

REPORT OF THE DIRECTORS

Name	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2009	Price per share to be paid on exercise of options HK\$
			Outstanding as at 1 January 2009	Granted during the year	Lapsed during the year	Exercise during the year		
<i>Others</i>								
Business advisors	29.1.2003	28.8.2003 to 27.8.2013	104,901,217	-	-	-	104,901,217	0.0244
	18.10.2007	18.10.2007 to 15.10.2010	84,234,000	-	-	2,130,000	82,104,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	45,000,000	-	-	-	45,000,000	0.2000
Employees	18.10.2007	18.10.2007 to 15.10.2010	1,426,000	-	-	-	1,426,000	0.0500
Steering committee members	14.1.2008	1.2.2008 to 31.1.2011	30,000,000	-	-	-	30,000,000	0.2000
Wong Qing Yu <i>(note 1)</i>	18.10.2007	18.10.2007 to 15.10.2010	8,520,000	-	-	-	8,520,000	0.0500
	14.1.2008	1.2.2008 to 31.1.2011	5,000,000	-	-	-	5,000,000	0.2000
			434,447,183	-	-	2,130,000	432,317,183	

Note:

- Mr. Wang Qing Yu resigned as the non-executive director and the Chairman of the Company and became a member of the Steering committee on 1 August 2009.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(i) Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited (<i>note 1</i>)	Corporate	1,723,335,379	27.92%
Kung Ching (<i>note 2</i>)	Family Corporate	1,723,335,379	27.92%
Guard Max Limited	Beneficiary	800,000,000	12.96%
Yu Wang Shen (<i>note 3</i>)	Deemed	800,000,000	12.96%
Tat Fai Enterprises Ltd.	Beneficiary	660,383,891	10.70%
Cheung Chung Kit (<i>note 4</i>)	Deemed	660,383,891	10.70%

(ii) Long position in the unlisted warrants ("2008 Warrants") of the Company

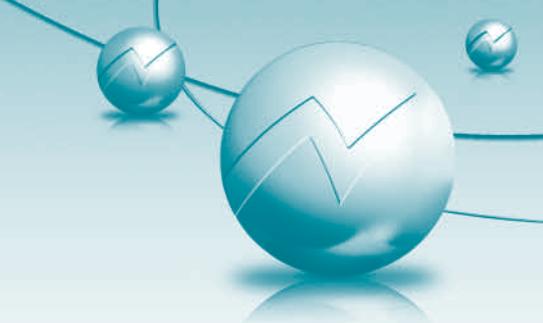
Name	Number of underlying Shares (in respect of the 2008 Warrants) held	Capacity	% to the issued share capital of the Company
Harvest Rise Investments Limited (<i>note 1</i>)	800,000,000	Beneficiary	12.96%
Kung Ching (<i>note 2</i>)	800,000,000	Family corporate	12.96%

The 2008 Warrants entitle the holders to subscribe for new Shares at the subscription price of HK\$0.20 per Share (subject to adjustment) until 29 January 2013.

Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr. Xiang Xin. Mr. Xiang is the sole director of Harvest Rise Investments Limited.
2. Ms. Kung Ching, the spouse of Mr. Xiang, is deemed to have interest in the Shares and underlying Shares held by Harvest Rise Investment Limited as mentioned in note 1 above.
3. Guard Max Limited is a private company wholly and beneficially owned by Mr. Yu Wang Shen. Mr. Yu Wang Shen is deemed to have interest in 800,000,000 shares held by Guard Max Limited.
4. Tat Fai Enterprises Ltd. is a private company wholly and beneficially owned by Mr. Cheung Chung Kit. Mr. Cheung Chung Kit is deemed to have interest in 660,383,891 shares held by Tat Fai Enterprises Ltd.

Save as disclosed above, as at 31 December 2009, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



REPORT OF THE DIRECTORS

DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Other than the share option scheme as disclosed under the heading "Share Option Scheme" above, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or the chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right.

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

During the year, the Company had not purchased, sold or redeemed any of its listed securities.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 27 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 27 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

All significant connected transactions entered by the Company during the year ended 31 December 2009 are disclosed in note 27 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

RETIREMENT BENEFITS SCHEME

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its 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 the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the income statement as incurred.

For the year ended 31 December 2009, no forfeited contribution to the retirement benefits scheme was credited to the income statement (2008: nil).



REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 7 to 11.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2009.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Company are set up in note 24 to the financial statements.

AUDITORS

A resolution for the re-appointment of Messrs. Graham H.Y. Chan & Co. as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By order of the Board

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong, 22 April 2010

INDEPENDENT AUDITOR'S REPORT



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF CHINA INNOVATION INVESTMENT LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of China Innovation Investment Limited (the "Company") set out on pages 26 to 64, which comprise the statement of financial position as at 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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.

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

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

OPINION

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

Graham H. Y. Chan & Co.

Certified Public Accountants (Practising)
Unit 1, 15/F., The Center,
99 Queen's Road Central,
Hong Kong

22 April 2010

INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK\$	2008 HK\$
Revenue	5	10,800,751	17,921,507
Gross sales proceeds of financial assets at fair value through profit or loss	5	49,831,608	237,251,972
Interest income		7,437,258	2,110,612
Dividend income		817,338	1,409,319
Gain on disposal of financial assets at fair value through profit or loss		2,546,155	14,401,576
Gain on disposal of available-for-sale investments		8,644,256	–
Fair value change of investment properties		16,691,200	–
Sundry income		1,506,128	–
Depreciation		(259,199)	(62,729)
Investment manager's fee		(300,000)	(300,000)
Directors' fees	6	(32,917)	(35,000)
Salaries and allowances	6	(1,724,731)	(1,015,005)
Equity-settled share options expenses		–	(22,186,740)
Fair value change of financial assets at fair value through profit or loss		–	(18,572,769)
Other operating expenses	7	(3,977,052)	(2,720,872)
Finance costs	8	(609,187)	(1,193,235)
Profit/(loss) before taxation		30,739,249	(28,164,843)
Income tax expense	9	–	–
Profit/(loss) for the year and attributable to owners of the Company		30,739,249	(28,164,843)
Earnings/(loss) per share (in HK cents)			
Basic	11	0.58	(0.58)
Diluted	11	0.57	N/A

Details of dividends payable to owners of the Company are set out in note 10.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK\$	2008 HK\$
Profit/(loss) for the year	30,739,249	(28,164,843)
Other comprehensive income/(loss) for the year, net of tax		
Unrealised gain/(loss) arising from change in fair value of available-for-sale investments	11,244,480	(14,968,912)
Reclassification adjustments on disposal of available-for-sale investments	6,586,432	–
	17,830,912	(14,968,912)
Total comprehensive income/(loss) for the year and attributable to owners of the Company	48,570,161	(43,133,755)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK\$	2008 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,516,050	945,929
Investment properties	14	48,000,000	–
Available-for-sale investments	15	114,067,325	81,793,715
Loans receivables	16	56,575,500	23,575,500
Deposit for acquisition of property, plant and equipment		302,812	–
		221,461,687	106,315,144
CURRENT ASSETS			
Interest receivables		972,603	–
Deposits and prepayment		3,393,183	650,987
Financial assets at fair value through profit or loss	17	–	47,096,316
Cash and cash equivalents	18	122,396,247	104,819,277
		126,762,033	152,566,580
CURRENT LIABILITIES			
Accruals		318,663	262,515
		126,443,370	152,304,065
NET CURRENT ASSETS			
		347,905,057	258,619,209
TOTAL ASSETS LESS CURRENT LIABILITIES			
CAPITAL AND RESERVES			
Share capital	19	61,708,658	51,687,358
Reserves		286,196,399	199,854,485
		347,905,057	251,541,843
NON-CURRENT LIABILITIES			
Zero-coupon convertible bonds	20	–	7,077,366
		347,905,057	258,619,209
Net asset value per share	22	HK\$0.06	HK\$0.05

The financial statements on pages 26 to 64 were approved and authorised for issue by the Board of Directors on 22 April 2010 and are signed on its behalf by:

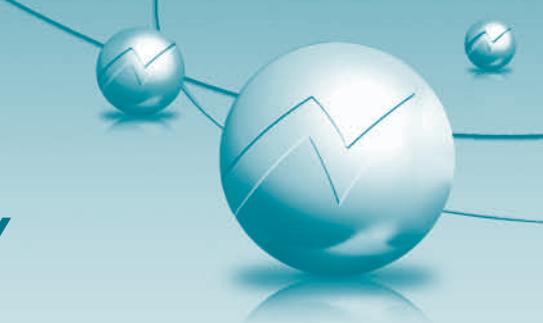
Xiang Xin
Chairman and Chief Executive Officer

Wong Chak Keung
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK\$	Share premium HK\$	Share option reserve HK\$	Investment revaluation reserve HK\$	Convertible bond equity reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2008	41,696,758	180,905,965	3,431,436	–	–	(25,674,191)	200,359,968
Other comprehensive loss	–	–	–	(14,968,912)	–	–	(14,968,912)
Loss for the year	–	–	–	–	–	(28,164,843)	(28,164,843)
Total comprehensive loss of the year	–	–	–	(14,968,912)	–	(28,164,843)	(43,133,755)
Issue of shares for acquisition of available-for-sale investments	1,806,000	25,284,000	–	–	–	–	27,090,000
Issue of shares for conversion of convertible notes	8,000,000	32,000,000	–	–	–	–	40,000,000
Issue of shares upon exercise of share options and option fee	184,600	738,421	–	–	–	–	923,021
Equity-settled share option scheme	–	–	22,186,740	–	–	–	22,186,740
Transfer to reserves upon exercise/lapse of share options	–	333,233	(358,975)	–	–	25,742	–
Issue of zero-coupon convertible bonds	–	–	–	–	17,278,904	–	17,278,904
Transfer to reserves upon share conversion of convertible bonds	–	660,088	–	–	(13,823,123)	–	(13,163,035)
At 31 December 2008 and 1 January 2009	51,687,358	239,921,707	25,259,201	(14,968,912)	3,455,781	(53,813,292)	251,541,843
Other comprehensive income	–	–	–	17,830,912	–	–	17,830,912
Profit for the year	–	–	–	–	–	30,739,249	30,739,249
Total comprehensive income of the year	–	–	–	17,830,912	–	30,739,249	48,570,161
Issue of shares for acquisition of available-for-sale investments	8,000,000	32,000,000	–	–	–	–	40,000,000
Issue of shares for conversion of convertible notes	2,000,000	8,000,000	–	–	–	–	10,000,000
Issue of shares upon exercise of share options and option fee	21,300	85,200	–	–	–	–	106,500
Transfer to reserves upon exercise of share options	–	38,450	(38,450)	–	–	–	–
Transfer to reserves upon share conversion of convertible bonds	–	1,142,334	–	–	(3,455,781)	–	(2,313,447)
At 31 December 2009	61,708,658	281,187,691	25,220,751	2,862,000	–	(23,074,043)	347,905,057



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

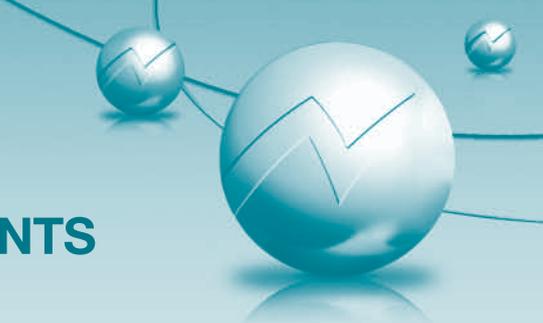
Notes:

- (i) Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution. Dividend may also be declared out of share premium account of the Company. As at 31 December 2009, the Company's reserve available for distribution amounted to HK\$258,113,648 (2008: HK\$186,108,415).
- (ii) The share option reserve comprises the fair value of unexercised share options granted to directors, employees and business advisors of the Company recognised in accordance with HKFRS 2. Further information about share-based payments is set out in note 21.
- (iii) The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. When a revalued financial asset is sold, the portion of the reserve related to that financial asset, and is effectively realised, is recognised in profit or loss.
- (iv) The convertible bond equity reserve arises on the issue of convertible bond by the Company. It represents the option to convert the liability component into ordinary shares of the Company and will remain in convertible bond equity reserve until the conversion option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to retained profits.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK\$	2008 HK\$
Operating activities			
Profit/(Loss) before taxation		30,739,249	(28,164,843)
Adjustments for:			
Equity-settled share options expenses		–	22,186,740
Fair value change of financial assets at fair value through profit or loss		(2,497,284)	18,572,769
Gain on disposal of available-for-sale investments		(8,644,256)	–
Fair value change of investment properties		(16,691,200)	–
Interest expenses for convertible bonds		609,187	1,193,235
Depreciation		259,199	62,729
Interest income		(17,442)	(2,110,612)
Dividend income from available-for-sale investments		(817,338)	–
Operating cash flow before changes in working capital		2,940,115	11,740,018
(Increase)/decrease in interest receivables		(972,603)	2,932
Decrease in other receivables		–	8,922,270
Increase in deposits and prepayment		(2,742,196)	(84,330)
Increase/(decrease) in accruals		56,148	(1,338,456)
Net cash (used in)/from operating activities		(718,536)	19,242,434
Investing activities			
Payment for acquisition of financial assets at fair value through profit or loss		–	(49,984,000)
Proceeds from disposal of financial assets at fair value through profit or loss		49,593,600	–
Payment for acquisition of available-for-sale investments		(11,353,000)	(65,344,987)
Proceeds from disposal of available-for-sale investments		45,554,558	–
Payment for acquisition of property, plant and equipment		(1,829,320)	(1,008,658)
Payment for deposit of property, plant and equipment		(302,812)	–
Payment for investment properties		(31,308,800)	–
Payment for loans receivable		(33,000,000)	–
Interest received		17,442	2,110,612
Dividend received from available-for-sale investments		817,338	–
Net cash from/(used in) investing activities		18,189,006	(114,227,033)
Financing activities			
Issue of shares upon exercise of share options, and option fee		106,500	923,021
Issue of convertible bonds, net expenses		–	50,000,000
Net cash from financing activities		106,500	50,923,021
Net increase/(decrease) in cash and cash equivalents		17,576,970	(44,061,578)
Cash and cash equivalents at 1 January		104,819,277	148,880,855
Cash and cash equivalents at 31 December	18	122,396,247	104,819,277



NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands and the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The Company is an investment holding company. Its principal investment objective is to achieve medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC").

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain properties, financial instruments classified as financial assets at fair value through profit or loss and available-for-sale investments, which are measured at their fair value as explained in the accounting policies set out below.

(c) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. 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 an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation of property, plant and equipment, is provided to write off their cost, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvement	over the lease terms – 5 years
– Office equipment	5 years
– Furniture and fixtures	5 years

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

(e) Financial instruments

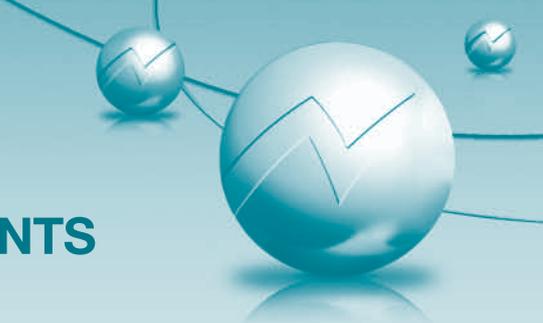
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of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

Financial assets

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

Effective interest method

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



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

Effective interest method (Cont'd)

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Investments in securities held for trading are classified as current assets and are initially stated at fair value. Foreign currency linked notes has been designated at fair value through profit or loss upon initial recognition as they are contained embedded derivatives which are not closely related to the host contracts.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes dividend or interest earned on the financial asset.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS investments or not classified under in any of the other categories.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in the fair value are recognised in other comprehensive income and accumulated under investment revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables (including loan receivables, interest receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(e) Financial instruments *(Cont'd)*

Impairment of financial assets *(Cont'd)*

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

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

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

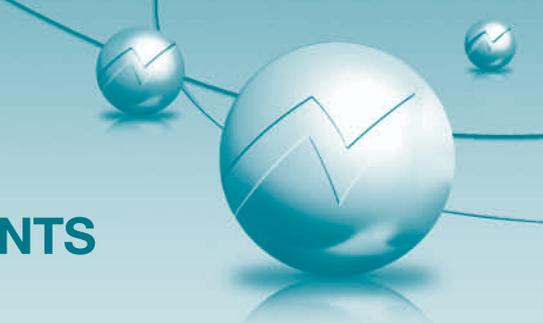
For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimate future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and interest receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and interest receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed if an increase in fair value of investment can be objectively related to an event occurring after the recognition of the impairment loss.



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

Financial liabilities and equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL, of which the interest expenses is included in net gains or losses.

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

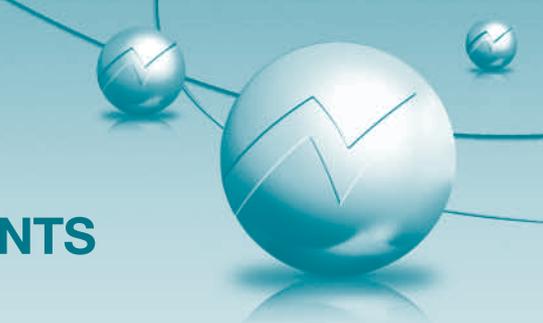
On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

At the end of the reporting period, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option classified as equity will remain in convertible bonds equity reserve until the conversion option is exercised, in which case the balance stated in convertible bonds equity reserve will be transferred to share premium. Where the conversion option remains unexercised at the maturity date, the balance stated in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Financial liabilities other than at fair value through profit or loss

Financial liabilities (including accruals, bank and other borrowings) are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial instruments (Cont'd)

Derecognition

The Company derecognised a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognised its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risk and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Company derecognised financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Impairment of assets

At the end of the reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

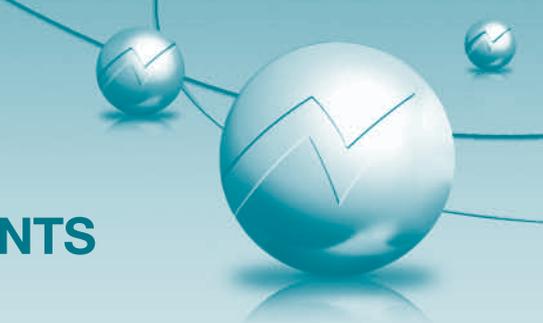
Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the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

(g) Revenue recognition

Net realised gains or losses on sales of investment held for trading are recognised on a trade-date basis when contracts are executed.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised as it accrues using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Taxation

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

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

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

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

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

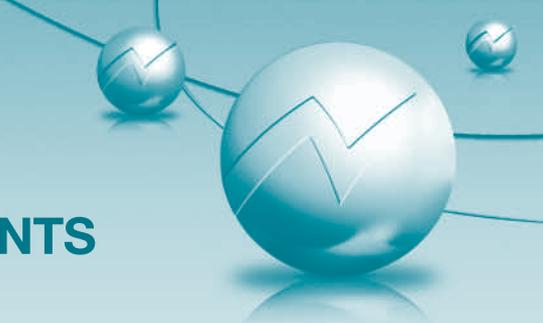
(i) Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, take into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

(j) Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Foreign currencies (Cont'd)

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

(k) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefits plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(l) Leasing

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

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

(m) Employee benefits

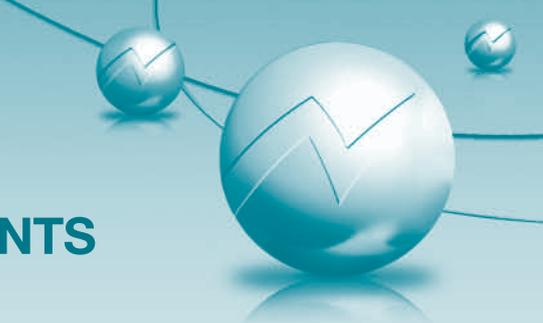
(i) Short term employee benefits in the form of leave

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

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

(ii) Retirement benefit costs

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all qualifying 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 the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the income statement as incurred.



NOTES TO THE FINANCIAL STATEMENTS

2 SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(m) Employee benefits *(Cont'd)*

(iii) Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Company's operations. Employees (including directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transaction is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date of which the relevant employees became fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settlement transactions at each balance sheet date until the vesting date reflects the extent to which (i) the vesting period has expired, and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movements in cumulative expense recognised as at the beginning and end of the period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

3 ADOPTION OF NEW AND REVISED STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Company.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfer of assets from customers

The adoption of the new HKFRSs had no material effect on how the results and financial position for the prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Company has applied the disclosures requirements under HKAS 1 (Revised) “Presentation of Financial Statements”. Under HKAS 1 (Revised), the “Balance Sheet” is renamed as the “Statement of Financial Position” and the “Cash Flow Statement” is renamed as the “Statement of Cash Flows”. All income and expenses arising from transactions with non-owner (i.e., the non-owner change in equity) are presented under two statements, the “Income Statement” and the “Statement of Comprehensive Income”, while the owner changes in equity are presented in the “Statement of Changes in Equity”.

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

HKFRS 8 supersedes HKAS 14 “Segment Reporting”, and requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision-makers in order to allocate resources to the segment and to assess its performance. There is no effect on the reportable segments presented from prior years.

NOTES TO THE FINANCIAL STATEMENTS

3 ADOPTION OF NEW AND REVISED STANDARDS (Cont'd)

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Company.

HKFRS (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ⁴
HKAS 1 (Amendment)	Presentation of financial statements ²
HKAS 24 (Revised)	Related party disclosures ⁶
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of rights issues ³
HKAS 38 (Amendment)	Intangible assets ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standard ¹
HKFRS 1 (Amendments)	Additional exemptions for first-time adopters ²
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions ²
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets) ⁷
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners ¹
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ⁵

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

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 January 2010, unless otherwise specified

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

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

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

4 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING JUDGMENT AND ESTIMATES (Cont'd)

The key sources of estimation and critical judgments that may significantly affect the amounts recognised in the financial statements are disclosed below:

Estimate of impairment of investment in listed and unlisted debts and securities

In the absence of information of an active market for unlisted debts and securities, the directors of the Company determine the amount within a range of reasonable impairment estimates by considering information from a variety of sources including :

- (i) Bi-annual review on the operating results and net asset value of an invested entity on balance sheet date;
- (ii) Historical operating performance and dividend distribution of the invested entity; and
- (iii) Gearing position and liquidity to meet working capital requirement of an invested entity.

Share-based payment expenses

The share-based payment expense is subject to the limitations of the Trinomial Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Value of zero-coupon convertible bonds

As described in note 20, the fair value of the liability component was calculated based on discounted cash flow over the remaining contractual term of the convertible bonds and the residual amount represented the value of the equity conversion component. It is based on the significant inputs into calculation included interest rate, risk free rate and terms and conditions of the convertible bonds.

5 REVENUE

	2009	2008
	HK\$	HK\$
Interest income	7,437,258	2,110,612
Dividend income	817,338	1,409,319
Gain on disposal of financial assets at fair value through profit or loss	2,546,155	14,401,576
	10,800,751	17,921,507

No segment information is presented as the Company has only one business activity, namely investment holding, which is principally operating in Hong Kong and the PRC.

In last year, gross sales proceeds of financial assets at fair value through profit or loss included the sales proceeds of trading listed securities only. In current year, the balance includes sales proceeds of other financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

6 STAFF COSTS

	2009 HK\$	2008 HK\$
Directors' fees	32,917	35,000
Salaries and allowances	1,724,731	1,015,005
Equity-settled share options expenses	–	10,710,840
Contribution to retirement benefits scheme	54,863	35,408
	1,812,511	11,796,253

The staff costs include directors' emoluments.

7 OTHER OPERATING EXPENSES

	2009 HK\$	2008 HK\$
Other operating expenses include the following:		
Auditors' remuneration	128,000	100,000
Building management fee	261,016	53,940
Consultancy fee	185,132	87,188
Contribution to retirement benefits scheme	54,863	35,408
Licence fee	–	306,000
Listing fee	495,000	464,500
Legal and professional fee	82,000	172,277
Operating lease charge for land and buildings	960,000	320,000
Printing and stationery	271,665	491,226
Repair	487,492	6,950
Travelling expenses	311,982	202,264
Others	739,902	481,119
	3,977,052	2,720,872

8 FINANCE COSTS

	2009 HK\$	2008 HK\$
Imputed interest expense from zero-coupon convertible bonds	609,187	1,193,235

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE

- (a) For the year ended 31 December 2009, the allowable loss brought forward exceeds the estimated assessable profit of the year, no provision for Hong Kong profits tax has been made. For the year ended 31 December 2008, no provision for Hong Kong profits tax have been made in the financial statements as the Company has no assessable profit for the year ended.
- (b) The taxation on the Company's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong, the principal place of the Company's operations, as follows:

	2009 HK\$	2008 <i>HK\$</i>
Profit/(loss) before taxation	30,739,249	(28,164,843)
Tax at the domestic income tax rate of 16.5%	5,071,976	(4,647,199)
Tax effect of non-taxable income	(1,563,868)	(374,732)
Tax effect of non-deductible expense	–	3,661,209
Recognition of previous deferred tax assets	(3,415,243)	–
Deferred tax assets not recognised	–	1,360,722
Others	(92,865)	–
Income tax expense for the year	–	–

As at 31 December 2009, the Company had unused tax losses of approximately HK\$16,683,000 (2008: HK\$20,698,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the reporting date.

10 DIVIDENDS

No dividend has been paid or declared by the Company during the year (2008 : nil).

NOTES TO THE FINANCIAL STATEMENTS

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$30,739,249 (2008 : loss of HK\$28,164,843) and the weighted average number of 5,282,365,862 (2008 : 4,870,192,742) ordinary shares in issue during the year.

(b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is the same as those for the basic earnings per share, as set out above.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basis earnings per share as follows:

	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,282,365,862	N/A
Effect of dilutive potential ordinary shares :		
Share options issued by the Company	127,540,645	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	5,409,906,507	N/A

No diluted loss per share has been presented by the Company for the year ended 31 December 2008 as the exercise of some of the share options and convertible bonds will give rise to an anti-dilutive effect.

The other share options and warrants had no dilutive effect as the average market price of ordinary shares during the year did not exceed the exercise price of these share options and warrants.

NOTES TO THE FINANCIAL STATEMENTS

12 DIRECTORS' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 December 2009 and 2008 is set as follows:

	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Employee share option benefits HK\$	Retirement scheme contribution HK\$	Total HK\$
2009					
Executive directors					
Xiang Xin	5,000	-	-	-	5,000
Chan Cheong Yee	5,000	-	-	-	5,000
Wong Chak Keung	-	600,000	-	12,000	612,000
Non-executive directors					
Wang Qing Yu (<i>note</i>)	2,917	-	-	-	2,917
Ng Kwong Chue, Paul	5,000	-	-	-	5,000
Independent non-executive directors					
Wang Xin, David	5,000	-	-	-	5,000
Zang Hong Liang	5,000	-	-	-	5,000
Lee Wing Hang	5,000	5,000	-	-	10,000
	32,917	605,000	-	12,000	649,917
2008					
Executive directors					
Xiang Xin	5,000	-	765,060	-	770,060
Chan Cheong Yee	5,000	-	3,060,240	-	3,065,240
Wong Chak Keung	-	510,000	3,060,240	12,000	3,582,240
Non-executive directors					
Wang Qing Yu	5,000	-	765,060	-	770,060
Ng Kwong Chue, Paul	5,000	-	765,060	-	770,060
Independent non-executive directors					
Wang Xin, David	5,000	-	765,060	-	770,060
Zang Hong Liang	5,000	-	765,060	-	770,060
Lee Wing Hang	5,000	5,000	765,060	-	775,060
	35,000	515,000	10,710,840	12,000	11,272,840

Note: Mr. Wang Qing Yu resigned as an executive director with effect from 1 August 2009.

NOTES TO THE FINANCIAL STATEMENTS

12 DIRECTORS' EMOLUMENTS (Cont'd)

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2009 and 2008.

During the year of 2008, certain directors were granted share options, in respect of their services to the Company, under the share options schemes of the Company, further details of which are set out in note 21 to the financial statements. The fair value of such options, which has been amortised to the income statement, was determined as at the date of the grant and included in the above directors' remuneration disclosures.

Other than the granting of share options to certain directors and employees during the year ended 31 December 2008, no emoluments were paid by the Company to any of the directors or the five highest paid individuals, as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2009 and 2008.

Of the five individuals with the highest emoluments in the Company, one (2008: all) is a director of the Company whose emoluments are included in the disclosure set out above. The emoluments of the remaining four (2008: nil) individuals, whose emoluments are individually below HK\$1,000,000, are as follow:

	2009 HK\$	2008 <i>HK\$</i>
Salaries and other benefits	757,203	–
Retirement scheme contributions	32,913	–
	790,116	–

NOTES TO THE FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$</i>	Office equipment <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Total <i>HK\$</i>
Cost				
Additions and at 31 December 2008	838,702	34,000	135,956	1,008,658
Additions	1,561,512	118,314	149,494	1,829,320
At 31 December 2009	2,400,214	152,314	285,450	2,837,978
Depreciation and impairment				
Charge for the year and at 31 December 2008	51,398	2,267	9,064	62,729
Charge for the year	219,490	8,772	30,937	259,199
At 31 December 2009	270,888	11,039	40,001	321,928
Carrying amounts				
At 31 December 2009	2,129,326	141,275	245,449	2,516,050
At 31 December 2008	787,304	31,733	126,892	945,929

14 INVESTMENT PROPERTIES

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Additions	31,308,800	–
Fair value change on property revaluation	16,691,200	–
Balance at 31 December	48,000,000	–

The properties are held in Hong Kong with leases over 50 years. The fair value of the investment properties as at 31 December 2009 was assessed by Ascent Partners Transaction Service Limited, an independent qualified professional valuer in Hong Kong. The valuation was arrived at by reference to open market values of similar properties.

No rental income was generated from these properties. During the year, HK\$666,846 operating expense (including repairs and maintenance) are directly arising from the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

15 AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK\$	2008 HK\$
Unlisted equity securities (a)	79,977,725	28,624,725
Listed equity securities, Hong Kong, at fair value (b)	34,089,600	53,168,990
	114,067,325	81,793,715

(a) The following is a list of the Company's unlisted investments as at 31 December 2009:

Unlisted equity securities

Name of invested company	2009				2008 Carrying amount HK\$
	Cost HK\$	Impairment loss Recognized HK\$	Carrying amount HK\$	% of total assets of the Company	
Jinan LuGu (HK) Technology Development Limited (note (i))	9,000,225	–	9,000,225	2.6%	9,000,225
Blue Angel (H.K.) Limited (formerly known as SNG Hong Kong Limited) (note (ii))	9,000,000	4,500,000	4,500,000	1.3%	4,500,000
Takenaka Investment Company Limited (note (iii))	15,124,500	–	15,124,500	4.3%	15,124,500
Dooda Innovation Limited (note (iv))	51,353,000	–	51,353,000	14.7%	–

Notes:

(i) Jinan LuGu (HK) Technology Development Limited ("LuGu")

LuGu is incorporated in Hong Kong and principally engaged in investment holding. It indirectly holds 59.5% interest in a company incorporated in the People's Republic of China ("PRC"), of which the principal activity is manufacturing and trading of 陶瓷微電路基板, 微電路模塊, 陶瓷電子元(組)件.

The Company holds 250 ordinary shares in LuGu, representing 25% interest in the issued share capital of LuGu. The investment in LuGu is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

LuGu is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in LuGu is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2008 : nil).

NOTES TO THE FINANCIAL STATEMENTS

15 AVAILABLE-FOR-SALE INVESTMENTS (Cont'd)

(a) (Cont'd)

(ii) Blue Angel (H.K.) Limited (formerly known as SNG Hong Kong Limited) ("BA")

BA is incorporated in Hong Kong and principally engaged in investment holding. In previous years, BA indirectly held 38.5% interest in a company incorporated in the PRC, of which the principal activity will be manufacturing and trading of 發光二極管芯片. The investment was written off during the year as the PRC incorporation was de-registered. As at 31 December 2009, BA held an intangible assets amounting to HK\$90,000,000.

The Company holds 3,750 ordinary shares in BA, which represented 30% interest in the issued share capital of BA in 2008. During the year, a share allotment of 37,500 ordinary shares to a third party with the intangible asset as part of the consideration was completed. Accordingly, the company's share interest in BA was diluted to 7.5%. The investment in BA is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

BA is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in BA is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2008 : nil).

(iii) Takenaka Investment Company Limited ("Takenaka")

Takenaka is incorporated in the British Virgin Islands and principally engaged in investment holding. Takenaka indirectly held 65% interest in a company incorporated in the PRC, of which the principal activity is manufacturing and distribution of copper foils for civil and military uses.

The Company holds 30 ordinary shares in Takenaka, representing 30% interest in the issued share capital of Takenaka. The investment in Takenaka is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Takenaka is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in Takenaka is classified as available-for-sale investment in the financial statements. No dividend was received during the year (2008 : nil).

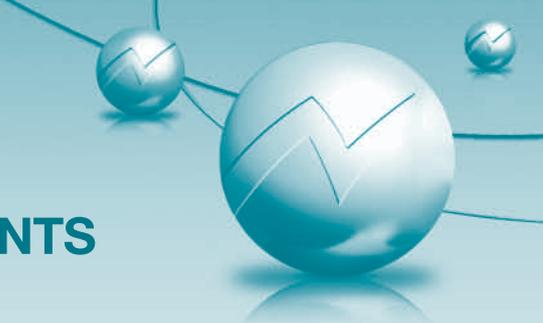
Along with the acquisition of 30% interest in the issued share capital of Takenaka, the Company acquired a shareholder's loan in Takenaka with the amount of US\$3,022,500 (equivalent to approximately HK\$23,575,500). The shareholders' loan is unsecured, interest-free and not repayable in 12 months.

(iv) Dooda Innovation Limited (formerly known as Join Oriental Holdings Limited) ("Dooda")

Dooda is incorporated in Hong Kong and principally engaged in investment holding. At 31 December 2009, Dooda directly held 95% interest in a company incorporated in the PRC, of which the principal activity will be conducting research and development, manufacturing and distribution of products applying the new LED backlight and lighting technology.

The Company holds 2,250 non-voting shares and 150 voting shares in Dooda, representing 80% interest in the issued share capital of Dooda. The Company holds 20% voting right in term of voting shares in Dooda. The investment in Dooda is measured at cost less impairment loss because the range of reasonable fair estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reasonably.

Dooda is not treated as an associate as, in the opinion of the directors, the Company is not in a position to exercise any significant influence over its financial and operating decisions. Accordingly, investment in Dooda is classified as available-for-sale investment in the financial statements. No dividend was received during the year.



NOTES TO THE FINANCIAL STATEMENTS

15 AVAILABLE-FOR-SALE INVESTMENTS *(Cont'd)*

- (b) During the period from 16 January 2008 to 3 October 2008, the Company acquired some Hong Kong listed equity securities amounting to HK\$83,987,987. The investments were classified as financial assets at FVTPL upon initial recognition as they were held for trading purpose.

Pursuant to the amendments to HKAS 39 and HKFRS 7 “Reclassification of Financial Assets” (the “Amendments”) the Company selected to reclassify the Hong Kong listed equity securities out of the FVTPL to AFS on 30 October 2008 as these shares were no longer held for the trading purpose but for strategic investment purpose as a result of the exceptional turbulence in the world’s financial market. The Amendments permitted the Company to reclassify financial assets on a partially retrospective basis from 1 July 2008, this retrospective basis did not extend to a date before 1 July 2008. The Company has applied the transitional provision of the Amendments to reclassify these shares retrospectively on 1 July 2008 or the date of its acquisition, whichever is later (the “Reclassification”). The financial assets being reclassified from FVTPL to AFS amount to HK\$68,137,902.

Prior to the Reclassification, a fair value loss on the financial assets being reclassified amounting to HK\$15,850,085 has been recognised in profit or loss during the year. The fair value loss recognised in profit or loss to the Reclassification cannot be reversed. Subsequent to the Reclassification, a fair value loss on the financial assets being reclassified amounting to HK\$14,968,912 has been recognised in the investment revaluation reserve in equity. This Reclassification has resulted in an increase in fair value loss directly recognised in the investment revaluation reserve in equity for the year by HK\$14,968,912. Had there been no such Reclassification, HK\$14,968,912 fair value loss would have been recognised in profit or loss for the year of 2008. The total fair value loss that would have been recognised in profit or loss for the year of 2008 if the financial assets had not been reclassified amounted to HK\$30,818,997. During the year of 2009, a fair value gain on the financial assets being reclassified amounting to HK\$17,830,912 has been recognised in the investment revaluation reserve in equity. This fair value gain would have been recognised in profit or loss for the year 2009 if no Reclassification was made. The total fair value gain that would have been recognised in profit or loss for the year of 2009, if the financial assets had not been reclassified amounted to HK\$26,475,168.

As at 31 December 2008, the carrying amount which was also the fair value of the financial assets being reclassified amount to HK\$53,168,990. As at 31 December 2009, the carrying amount which is also the fair value of the financial assets being reclassified amount to HK\$34,089,600.

The listed equity securities measurement subsequent to initial recognition at fair value are those derived from quoted price (unadjusted) in active markets for identical assets, that is at Level 1 fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS

16 LOANS RECEIVABLES

	2009 HK\$	2008 <i>HK\$</i>
Fixed-rate loan receivable	33,000,000	–
Shareholder's loan receivable	23,575,500	23,575,500
	56,575,500	23,575,500

The effective interest rate (which equal to contractual interest rate) on the fixed-rate loan receivable is 5% p.a.. Fixed-rate loan receivable are due for repayment within 5 years from the reporting date.

The shareholder's loan receivable was acquired along with the acquisition of 30% interest in the issued share capital of Takenaka mentioned in note 15 above. The shareholder's loan is unsecured, interest-free and not repayable in 12 months.

As at 31 December 2009, no collateral agreement has been entered into in respect of all the loans receivables.

The loans receivables at the reporting date have good credit quality. Management believes that no impairment allowance is necessary in respect of these loan receivables as there has not been a significant change in credit quality.

The carrying amount of the loans receivables approximate to the fair value.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK\$	2008 <i>HK\$</i>
Foreign currency-linked notes	–	47,096,316

Terms of the foreign currency-linked notes outstanding as at 31 December 2008 are as follows:

Notional amount	USD6,400,000
Maturity	22 June 2009

The foreign currency-linked notes will be redeemed by cash only.

The foreign currency-linked notes are measured at fair value. Their fair values were determined based on the quoted prices provided by the financial institutions at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

	2009 HK\$	2008 HK\$
Cash at banks	70,073,662	103,998,984
Cash on hand	31,905	500
Cash held in the securities account of securities companies	52,290,680	819,793
	122,396,247	104,819,277

Cash at banks and held in the securities account of securities companies earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for various periods from 1 day to 1 month depending on the immediate cash requirements of the Company and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

19 SHARE CAPITAL

(a) Authorised and issued share capital

	2009		2008	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January	15,000,000,000	150,000,000	5,000,000,000	50,000,000
Increase during the year	–	–	10,000,000,000	100,000,000
At 31 December	15,000,000,000	150,000,000	15,000,000,000	150,000,000
Issued and fully paid:				
At 1 January	5,168,735,753	51,687,358	4,169,675,753	41,696,758
Issue of shares upon exercise of share options	2,130,000	21,300	18,460,000	184,600
Issue of shares upon acquisition of available-for-sale investment	800,000,000	8,000,000	180,600,000	1,806,000
Issue of shares upon conversion of convertible bonds	200,000,000	2,000,000	800,000,000	8,000,000
At 31 December	6,170,865,753	61,708,658	5,168,735,753	51,687,358



NOTES TO THE FINANCIAL STATEMENTS

19 SHARE CAPITAL (Cont'd)

Details of the movements in the Company's share capital during the year ended 31 December 2009 are as follows:

- (i) During the year, part of the share options granted were exercised for 2,130,000 shares of HK\$0.01 each at exercise price of HK\$0.05 per share, which raised gross proceeds of approximately HK\$106,500.
- (ii) On 8 May 2009, the Company entered into an acquisition agreement with Guard Max Limited (the "Vendor"), pursuant to which, among other things, the Company had conditionally agreed to purchase from the Vendor 600 shares in the issued share capital of Dooda Innovation Limited (formerly known as Join Oriental Holdings Limited), with voting rights withdrawn for an aggregate consideration of HK\$40 million. The consideration would be satisfied by the issue of the consideration shares at the issue price of HK\$0.05 per share. Accordingly, 800,000,000 shares of HK\$0.01 each at the issue price of HK\$0.05 were allotted and issued as fully paid on 12 November 2009.
- (iii) On 19 November 2007, the Company entered into a subscription agreement with Harvest Rise Investment Limited ("Harvest Rise"), a company wholly and beneficially owned by Mr. Xiang Xin, an executive director and a substantial shareholder of the Company, for the subscription by Harvest Rise of zero coupon convertible bonds in an aggregate principal amount of HK\$50,000,000 (the "CB") to be issued by the Company. In consideration of Harvest Rise's agreeing to subscribe for or procure the subscription of the CB, the Company would issue 800,000,000 unlisted warrants ("Warrants") to Harvest Rise at the exercise price of HK\$0.20 per warrant share. The CB and the Warrants were issued on 30 January 2008.

On 13 May 2008, convertible bonds amounting to HK\$40,000,000 were converted into 800,000,000 ordinary shares of the Company at the conversion price of HK\$0.05 per share. On 22 December 2009, convertible bonds amounting to HK\$10,000,000 were converted into 200,000,000 ordinary shares of the Company at the conversion price of HK\$0.05 per share.

(b) Capital management

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

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

The Company monitors capital using gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowing (including current and non current borrowings) less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

19 SHARE CAPITAL (Cont'd)

(b) Capital management (Cont'd)

During 2009, the Company's strategy, which was unchanged from 2008, was to maintain the gearing ratio of zero. The gearing ratios at 31 December 2009 and 2008 were zero as the Company has net cash at 31 December 2009 and 2008.

	2009 HK\$	2008 HK\$
Total borrowings	–	7,077,366
Less : cash and cash equivalents (note 18)	122,396,247	104,819,277
Net cash	(122,396,247)	(97,741,911)

20 ZERO-COUPON CONVERTIBLE BONDS

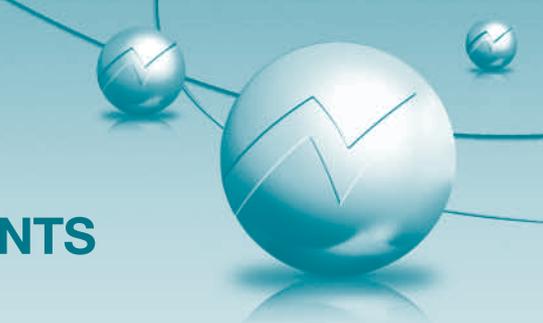
On 30 January 2008, the Company issued zero-coupon convertible bonds due on 29 January 2013 in the aggregate principal amount of HK\$50,000,000 with a conversion price of HK\$0.05 per ordinary share of the Company.

The fair values of the liability component and equity conversion component were determined upon the issuance of the convertible bonds.

The fair value of the liability component, included in non-current liabilities, was calculated based on the estimated discounted cash flow over the remaining contractual terms of the convertible bonds and discounted using a market interest rate for an equivalent non-convertible bond. The discounted rate of the liabilities component of the convertible bonds was 8.85%. The residual amount, representing the value of equity conversion component, was included in shareholders' equity under "convertible bonds equity reserve".

The convertible bonds recognised in the statement of financial position are calculated as follows:

	Equity component HK\$	Liability component HK\$
Convertible bonds at date of issue	17,278,904	32,721,096
Converted into ordinary shares	(13,823,123)	(26,836,965)
Imputed interest expense	–	1,193,235
As at 31 December 2008	3,455,781	7,077,366
Converted into ordinary shares	(3,455,781)	(7,686,553)
Imputed interest expense	–	609,187
As at 31 December 2009	–	–



NOTES TO THE FINANCIAL STATEMENTS

20 ZERO-COUPON CONVERTIBLE BONDS *(Cont'd)*

During the year of 2008, convertible bonds with a face value of HK\$40,000,000 were converted into 800,000,000 ordinary shares of the Company at a conversion price of HK\$0.05 per share. During the year of 2009, the convertible bonds remaining face value of HK\$10,000,000 were converted into 200,000,000 ordinary shares of the Company at a conversion price of HK\$0.05 per share.

Interest on the bond is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible bond to the liability component of the convertible bond.

The fair value of the liability component of the convertible bonds as at 31 December 2008 amounted to approximately HK\$5,400,000, based on the interest rate for an equivalent non-convertible bond of 19.19% at 31 December 2008.

Pursuant to the terms and conditions of the convertible bonds, so long as any bond remains outstanding, the Company will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure, guarantee or indemnify in respect of any present or future indebtedness of the Company other than loans from banks or licensed or registered financial institutions unless, at the same time or prior thereto, the Company's obligations under the bonds (a) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the bondholders shall approve by an ordinary resolution.

21 SHARE OPTIONS

Under the share option scheme approved by the sole shareholder of the Company on 18 July 2002 (the "Scheme"), the board of directors of the Company may, at their discretion, invite any full-time employee, director (including non-executive director and independent non-executive director), any part time employee with weekly working hours of 15 hours and above of the Company or its subsidiaries, any advisor or consultant to the Company or to any of its subsidiaries and adviser, consultant, agent or business affiliates who has contributed to the Company to subscribe for shares in the Company.

Pursuant to the Scheme, the overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Scheme and other share options schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

21 SHARE OPTIONS (Cont'd)

Details of the options granted under the Scheme and outstanding at 31 December 2009 are as follows:

Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2009	Price per share to be paid on exercise of options HK\$
		Outstanding as at 1 January 2009	Granted during the year	Lapsed during the year	Exercise during the year		
29.1.2003	28.8.2003 to 27.8.2013	119,243,183	-	-	-	119,243,183	0.0244
18.10.2007	18.10.2007 to 15.10.2010	170,204,000	-	-	2,130,000	168,074,000	0.0500
14.1.2008	1.2.2008 to 31 .1.2011	145,000,000	-	-	-	145,000,000	0.2000
		434,447,183	-	-	2,130,000	432,317,183	

22 NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2009 of HK\$347,905,057 (2008: HK\$251,541,843) and 6,170,865,753 (2008 : 5,168,735,753) ordinary shares in issue at that date.

23 COMMITMENT

(a) Operating lease

	2009 HK\$	2008 HK\$
Minimum lease payments paid under operating leases in respect of rented premises during the year	960,000	320,000

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

	2009 HK\$	2008 HK\$
Within one year	906,667	906,667
After one but within five years	533,333	1,493,333
	1,440,000	2,400,000

Operating lease payments represent rental payable by the Company for its office premises. Leases are negotiated for the term of three years.

NOTES TO THE FINANCIAL STATEMENTS

23 COMMITMENT (Cont'd)

(b) Capital commitment

	2009 HK\$	2008 HK\$
Commitments for the acquisition of property, plant and equipment	2,729,084	–

In addition, the Company entered into a subscription agreement, on 2 March 2009, with Moral Glory Limited (“MGL”), a company incorporated in Hong Kong, pursuant to which the Company committed to acquire convertible note with face value of HK\$50,000,000 from MGL. The convertible note will mature on the fifth anniversary date from the first payment requisition notice issued by MGL to the Company. The total interest to be charged is composed of a fixed rate interest of 1% per annum on the principal and a participating interest of 50% on the annual post tax profit of MGL and its subsidiaries of which the participating interest will be capped at no more than 59% on the principal per annum. In accordance with the terms and conditions of the agreement, upon maturity of the convertible note, the Company has the right to convert the convertible note to an equity interest of 90% of the then issued share capital of MGL, excluding the voting right of the respective shares. Up to the date of this report, the acquisition has not been completed which is subject to the fulfilling of those prerequisites stated in the agreement and HK\$2,500,000 refundable deposit was paid.

24 EVENTS AFTER THE REPORTING PERIOD

On 8 May 2009, the Company entered into an acquisition agreement with China Seed International Limited (the “Vendor”), pursuant to which, among other things, the Company had conditionally agreed to purchase from the Vendor 310 shares in the issued share capital of Topsun Creation Limited (“Topsun”), with voting rights withdrawn for an aggregate consideration of HK\$20 million. The consideration would be satisfied by the issue of the consideration shares at the issue price of HK\$0.05 per share. Accordingly, 400,000,000 shares of HK\$0.01 each at the issue price of HK\$0.05 were allotted and issued as fully paid on 30 March 2010.

The Company entered into a subscription agreement, on 8 May 2009, with Topsun, pursuant to which the Company has conditionally agreed to subscribe from Topsun 250 shares in the issued share capital of Topsun for an aggregate consideration of RMB10 million which will be satisfied through bank transfer. Up to the date of this report, the subscription has not been completed.

On 20 April 2010, the Company entered into an asset swap agreement with Freewin Group Limited (“FGL”), pursuant to which, the Company and FGL agreed to swap 8,750 shares in the issued share capital of Blue Angle (H.K.) Limited held by FGL for 250 shares in the issued share capital of Jinan LuGu (HK) Technology Development Limited held by the Company. The consideration was agreed at HK\$9 million. The shares were swapped on 20 April 2010.

25 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2009, 800,000,000 new shares of HK\$0.01 each of the Company were issued at HK\$0.05 per share (total share consideration HK\$40,000,000) in exchange for 600 shares (voting right withdrawn) in Dooda Innovation Limited, a company incorporated in Hong Kong with nominal value of HK\$1.00 each. The investment in Dooda Innovation Limited was accounted for as available-for-sale investment of the Company.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2(e).

(b) Categories of financial instruments

	2009 HK\$	2008 HK\$
Financial assets		
Available-for-sale investments	114,067,325	81,793,715
Financial assets at fair value through profit or loss	–	47,096,316
Loan and receivables (including cash and cash equivalents)	179,944,350	128,394,777
	294,011,675	257,284,808
Financial liabilities		
Amortised cost	190,663	7,239,881

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Company's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

(d) Foreign currency risk management

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to the change in foreign exchange rates. The Company's assets and liabilities are denominated in either Hong Kong dollars or United State dollars. The Company does not expect any significant movement in the exchange rate of United State dollars to Hong Kong dollars.

(e) Interest rate risk management

The Company is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and fair value interest rate risk primarily to its fixed rate loan receivable. The Company currently does not have any interest rate hedging policy. The directors monitor the Company's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (Cont'd)

(e) Interest rate risk management (Cont'd)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments including bank balances and borrowings, at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis points (2008 : 140 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate. As a result of the less volatile financial market, the management adjusted the sensitivity rate from 140 basis points to 100 basis points in the current year for the purpose of analysing interest rate risk.

If interest rates had been 100 basis points (2008 : 140 basis point) higher/lower and all other variables were held constant, the Company's :

- profit for the year ended 31 December 2009 would increase/decrease by approximately HK\$1,223,000 (2008 : loss for the year would decrease/increase by approximately HK\$1,467,000). This is mainly attributable to Company's exposure to interest rate on its variable rate bank balances.

(f) Price risk management

The Company is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Company's equity price risk is mainly concentrated on equity securities quoted in the Stock Exchange of Hong Kong.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is remained as 10% in the current year.

If equity price had been 10% higher/lower (2008 : 10% higher/lower):

- equity reserve would increase/decrease by HK\$3,409,000 (2008 : HK\$5,317,000) as a result of the changes in fair value of listed available-for-sale investments.

(g) Credit risk management

The Company is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. It arises primarily from the unsettled transaction for securities trading, loan receivables and interest receivables of the Company, deposits with banks and securities companies.

In order to minimise the credit risk, the management of the Company reviews that recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The creditworthiness of these debtors is considered by reviewing their financial strength prior to finalisation of any contract and transaction. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. For credit risk on receivables is limited because the Company only carries on business with reputable securities companies.

The Company does not provide any guarantee which would expose the Company to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (Cont'd)

(h) Liquidity risk management

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Such non-derivative financial liabilities outstanding at the end of the reporting period are considered as if outstanding for whole year. The table includes both interest and principal cash flows.

As at 31 December 2009

	Within one year or on demand HK\$	In two to five years HK\$	Total contractual undiscounted cash flow HK\$	Carrying amount HK\$
Accruals	190,663	–	190,663	190,663
Undrawn loan commitment	7,000,000	–	7,000,000	–
	7,190,663	–	7,190,663	190,663

As at 31 December 2008

	Within one year or on demand HK\$	In two to five years HK\$	Total contractual undiscounted cash flow HK\$	Carrying amount HK\$
Accruals	162,515	–	162,515	162,515
Convertible bond- liability portion	–	10,000,000	10,000,000	7,077,366
	162,515	10,000,000	10,162,515	7,239,881

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (Cont'd)

(i) Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standards terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask price respectively; and
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The directors consider that the carrying amounts of the Company's other financial asset and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(j) Fair value hierarchy of financial instruments

HKFRS 7 requires disclosure of financial instruments that are measured at fair value by level of the following fair value measurement hierarchy.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The following table presents the financial instruments that are measured at fair value as at 31 December 2009.

Group	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Assets				
Available-for-sale investments	34,089,600	–	–	34,089,600

During the year, there is no significant transfers between Level 1 and Level 2.

NOTES TO THE FINANCIAL STATEMENTS

27 CONNECTED AND RELATED PARTY TRANSACTIONS

	2009 HK\$	2008 HK\$
Investment management fee paid to China Everbright Securities (HK) Limited (note a)	300,000	300,000
Brokerage commission and handling fee paid to China Everbright Securities (HK) Limited (note b)	19,323	767,785
License fee paid to New Times Investment Management Limited (note c)	–	306,000
Rental expense paid to New Era Group (China) Limited (note d)	960,000	320,000
Rental deposit paid to New Era Group (China) Limited (note d)	160,000	160,000
Zero-coupon convertible bonds due to Harvest Rise Investment Limited (note e)	–	7,077,366

Note:

- (a) The Company has entered into an investment management agreement with China Everbright Securities (HK) Limited (“CES”) for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served. In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company’s final audited result for the year. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES. On 23 October 2007, a revision on the service charge to HK\$300,000 per annum by monthly payment of HK\$25,000 and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008 was proposed and accepted.
- (b) Brokerage commission rate is charged at the rate ranged from 0.25% to 1% of the value of the transactions. Handling fee is charged at HK\$100 per each IPO application.
- (c) The Company has entered into a license agreement with New Times Investment Management Limited (“NTIML”), a company of which a director of the Company, Mr. Xiang Xin is also a director (the “License Agreement”). Pursuant to the License Agreement, the Company was granted the right to occupy an office unit and to use the available furniture, equipment and general administrative services. In return, the Company shall pay a deposit of HK\$102,000 and a monthly license fee of HK\$51,000 to NTIML. The License Agreement commenced on 1 April 2004 and terminated on 31 August 2008.
- (d) The Company has entered into a tenancy agreement with New Era Group (China) Limited (“NEG”), a company of which Mr. Xiang Xin is also a director (the “Tenancy Agreement”) for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position.
- (e) The Company has issued zero-coupon convertible bonds to Harvest Rise Investment Limited (“HRIL”), a substantial shareholder of the Company which is wholly owned by Mr. Xiang Xin with the aggregate principal of HK\$50,000,000 as detailed in note 20. Upon the issue of the zero-coupon convertible bonds, the Company granted 800,000,000 unlisted warrants to HRIL at nil monetary consideration.

Details of compensation of key management personnel are set out in note 12 to the financial statements.