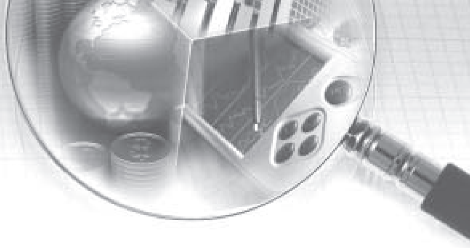
中 國 投 資

China Investment Fund Company Limited
中國投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612

Annual Report 2007



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

William Robert Majcher *(Chairman)*
Wan Ho Yan, Letty *(Managing Director)*

Independent Non-executive Directors

Yan Mou Keung, Ronald
Cheng Wing Keung, Raymond
Kwong Kwan Tong

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Hong Lai Ping

AUDIT COMMITTEE

Kwong Kwan Tong *(Chairman)*
Yan Mou Keung, Ronald
Cheng Wing Keung, Raymond

REMUNERATION COMMITTEE

Cheng Wing Keung, Raymond *(Chairman)*
Yan Mou Keung, Ronald
Kwong Kwan Tong

INVESTMENT MANAGER

Ping An Securities Limited
4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

CUSTODIAN

Standard Chartered Bank
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China (Asia) Limited
Unit B, 15 & 16, 17/F., Grand City Plaza
1 Sai Lau Kok Road
Tsuen Wan
New Territories
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITORS

HLM & Co. Certified Public Accountants
Room 305, 3rd Floor
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007.

The Group was principally engaged in investment in both listed and unlisted securities. The Group held listed equity investments in Hong Kong. During the year, the Group has continued to diversify its investment portfolio in both unlisted and debt securities.

BUSINESS REVIEW

Starting from the late summer 2007, the global financial markets were highly fluctuated. The subprime mortgage crisis in US triggered a global credit market squeeze. The global monetary authorities were quick to inject massive liquidity into the financial system and interest rates were cut in a number of countries.

The stock market in Hong Kong fluctuated in late 2007. The financial markets initially reacted favourably to these moves but selling re-emerged in the last two months of 2007 when there was clear evidence that financial losses had not been contained and global economic growth could be adversely affected.

Even under the above situation, the Group still had made a net profit of approximately HK$7,948,000. The profit made is lower than the net profit at last year (2006: net profit of approximately HK$19,329,000) and this is due to the recovery of the zero coupon debt security of approximately HK$13,425,000 in last year. Therefore, the Group actually out performed during the year when comparing the trading profit performance with year 2006.

Securities Investments

The board exercised caution when managing the investment process during the year. For the year ended 31 December 2007, the Group recorded an audited turnover of approximately HK$38,689,000, increased by approximately 18.31% over the previous year. The Group made a trading profit of approximately HK$10,603,000 which was much higher than last year trading profit of approximately HK$5,942,000. The increase in trading profits was mainly attributable from the realization of investment during the year.

The Board believes that the trading market is still challenging under the global credit market squeeze and the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining high investment yields for our shareholder. We will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

Information Technology

During the year, the Group further invested in a project which focuses on providing services in technology solution for clients in the hospitality industry. With the growing domestic and international travelers within and into/out of the PRC, the Board believed that the demand for hotel and tourist related service is high. The information technology service provides fully integrated software solution to both hotel management system and operators. The wired or wireless high-speed internet access solution enables hoteliers or business travelers to access internet at their convenience. While the Group is positive on the prospects of this business, the Board will closely monitor and manage the portfolio in a prudent way with a view of gaining high investment returns for our shareholder.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$58,754,000 as at 31 December 2007 (2006: approximately HK$11,785,000). The Group had no borrowing and had not obtained any credit facilities from financial institutions during the year.

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was not applicable as the Group did not have any bank loans or borrowings as at 31 December 2007 and 2006.

There were no capital commitments as at 31 December 2007 which would require a substantial use of the Group's present cash resources or external funding.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of bank deposits denominated in Hong Kong currency.

MATERIAL ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

There were no material acquisition of subsidiaries and disposal of subsidiaries during the year ended 31 December 2007, except for the disposal of the wholly owned subsidiaries, Crystal Shine Limited and San Francisco Alden, Inc. at a consideration of HK$10,000,000 on 29 August 2007.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as disclosed below, there has been no change in the capital structure of the Company for the year under review.

(a) 240,000,000 new ordinary shares issued by open offer.

(b) 80,000,000 new ordinary shares issued in consideration for cash proceed and call options granted by Prosperity Investment Holdings Limited.

EMPLOYEE INFORMATION

As at 31 December 2007, the Company had 2 executive Directors and 3 independent non-executive Directors and 4 employees. Remuneration policies for the Directors are reviewed by the Group in accordance with the market situation, respective duties, responsibilities with the Group and their performance from time to time.

PROSPECTS

Given the credit market turnover triggered as well as the downturn of the US economy by the US subprime problems, the Directors will continue to take a cautious and prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the present continuous economic improvement in the PRC, the Group will look into any potential investment opportunities in the PRC in the future that will nurture further development and constant growth in the future. The Group will continue to look for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

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

During the year ended 31 December 2007, the Company has not purchased, sold nor redeemed any of the Company's listed securities, except for 240,000,000 new shares issued by open offer which were allotted and issued on 31 July 2007 and 80,000,000 new shares issued in consideration for cash proceed and the call options granted by Prosperity Investment Holdings Limited which were allotted and issued on 4 September 2007, which are disclosed under Note 18 to the Financial Statements of our Annual Report 2007.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information of the Group required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange will be dispatched to our shareholders on or before 30 April 2008 and published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Monday, 5 May 2008 to Tuesday, 6 May 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting to be held on Friday, 9 May 2008, all completed transfer forms accompanied by the relevant share certificates must be loged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 2 May 2008.

By order of the Board
China Investment Fund Company Limited

William Robert Majcher
Director

Hong Kong, 27 March 2008

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. William Robert Majcher ("Mr. Majcher"), aged 45, has been appointed as executive Director with effect from 15 August 2007. Mr. Majcher has been appointed as Director of Baron Global Finance Canada Ltd. with effect from 24 January 2008. He has been appointed to the board of directors of Evolving Gold Corporation, a company listed on both TSX Venture Exchange of Canada and Frankfurt Stock Exchange, with effect from 21 September 2007. Mr. Majcher has been a director of Disaster Preparedness Systems Inc., a Nevada Corporation, which is listed on National Association of Securities Dealers OTC Bulletin Board in the United States of America, since 1 September 2006 and a director of Baron Absolute Return Fund (I) Limited, a company incorporated in the British Virgin Islands, since 15 December 2006. Mr. Majcher is a highly accomplished visionary with over 20 years combined experience in public service, international finance, and capital markets. His background includes management, public stewardship, structured finance, emerging markets, product development, strategic planning and positioning, and risk management. Mr. Majcher started his career as a Eurobond trader in London, England, where he was known as one of the youngest Canadian Eurobond traders in the market. He later used this experience during a twenty-year career with the Royal Canadian Mounted Police (RCMP), where Mr. Majcher enjoyed remarkable success in covert and public market investigations that often saw him working with law enforcement and securities regulators from around the globe. Mr. Majcher has experience as a Futures and Options broker and trader in both Canada and the United States and has lectured extensively on abuse within the international capital markets, including sophisticated money laundering. Mr. Majcher is recognized as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice. Mr. Majcher obtained a bachelor's degree in Commerce from St. Mary's University, Halifax.

Ms. Wan Ho Yan, Letty ("Ms. Wan"), aged 26, is an executive Director. Ms. Wan holds a bachelor degree from the University of San Francisco, the United States of America. Ms. Wan specializes in investment management and has broad experience in financial management. She is also an assistant to the chairman of a finance company based in Hong Kong having an international client base.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yan Mou Keung, Ronald ("Mr. Yan"), aged 55, is an independent non-executive Director of the Group. Mr. Yan has more than 21 years of experience in running retail fashions. Mr. Yan is the director of Art Concept International Culture Studies Foundation Funds. He is also the Honourable Life President of Tsimshatsui Kai Fong Welfare Association, Vice President of HK Island/Northern District Scout Association, Hong Kong, Hon Life President of Artiste Training Alumni Association, the president of Pragmatic Kwon-Do and the chairman of Chung Hop Pai, Lau Kan Tung Chinese Martial Arts Association. Mr. Yan is an independent non-executive director of Prosperity Investment Holdings Limited, a company listed on the main board of the Stock Exchange.

Mr. Cheng Wing Keung, Raymond ("Mr. Cheng"), aged 48, is an independent non-executive Director and the chairman of the Remuneration Committee of the Group. Mr. Cheng is a solicitor practicing in Hong Kong and has over 20 years of experience in corporate, company secretarial and listing affairs. He is an associate member of The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Company Secretaries in Hong Kong. He holds a bachelor degree in laws from the University of London and a Master Degree in Business Administration from the University of Strathclyde, Scotland. Mr. Cheng was an independent non-executive director of Fortuna International Holdings Limited from 27 September 2004 to 20 September 2006. At present, he is an independent non-executive director in three listed companies in Hong Kong, Skyfame Realty (Holdings) Limited, Emperor Capital Group Limited and Kenfair International (Holdings) Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Kwong Kwan Tong ("Mr. Kwong"), aged 42, has been appointed as an independent non-executive Director, member and chairman of the audit committee and member of the remuneration committee of the Company with effect from 1 February 2008. Mr. Kwong is currently a fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr. Kwong has over twenty years of experience in management accounting and financial control through his previous employment with different companies in Hong Kong and the PRC. He is now an independent non-executive director, chairman of the audit committee, member of remuneration and nomination committee of Qunxing Paper Holdings Company Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited, and the financial controller of Tianjin Binhai TEDA Logistics (Group) Corporation Limited, a state-owned enterprise in the PRC.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present their annual report and the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 13 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 51.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 18 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out on page 23. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2007 and 2006.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

REPORT OF THE DIRECTORS

DIRECTORS

As at the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. William Robert Majcher *(Chairman)*
Ms. Wan Ho Yan, Letty *(Managing Director)*

Independent Non-executive Directors

Mr. Yan Mou Keung, Ronald
Mr. Cheng Wing Keung, Raymond
Mr. Kwong Kwan Tong

At the forthcoming annual general meeting of the Company ("AGM"), Ms. Wan Ho Yan, Letty, Mr. Yan Man Keung Ronald and Mr. Kwong Kwan Tong will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2007, none of the Directors, the chief executive of the Company or any of their associates had interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 20 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 20 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a director or the chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

Name of shareholders	*Notes*	**Total number of ordinary shares held**	**Capacity**	**% of total issued shares**
Hung Chen Richael	*1*	96,000,000	Held by controlled corporation	12%
Lam Kwing Wai, Alvin Leslie	*2*	80,000,000	Held by controlled corporation	10%
Ip Ki Cheung	*3*	78,616,000	Held by controlled corporation	9.83%
Golden Resources Development International Limited	*4*	64,208,000	Held by controlled corporation	8.03%
Yang Pao Yan, Eric	*5*	56,136,511	Held by controlled corporation	7.02%

Notes:

1. Mr. Hung Chen Richael ("Mr. Hung") is deemed to be interested 96,000,000 Shares through the Option held by Yue King Investment Limited which is wholly owned by Mr. Hung.

2. Lam Kwing Wai, Alvin Leslie ("Mr. Lam") is deemed to be interested in 80,000,000 shares held by Ever Honest Investments Limited which is approximately 54.64% owned by Mr. Lam ultimately.

3. Ip Ki Cheung ("Mr. Ip") is deemed to be interested in 78,616,000 Shares held by Kenfair International (Holdings) Limited, a company with its shares listed on the main board of the Stock Exchange and which is owned as to approximately 50.12% by Capital Concord Profits Limited, which in turn is owned as to approximately 50% by Best Aims Finance Limited which is ultimately 100% owned by Mr. Ip.

4. Golden Resources Development International Limited ("Golden Resources") is deemed to be interested in 64,208,000 shares held by Billion Trade Development Limited, a company wholly owned by Reo Developments Limited, which in turn is wholly owned by Golden Resources. Golden Resources is a company whose issued shares are listed on the main board of the Stock Exchange.

5. Mr. Yang Pao Yan, Eric ("Mr. Yang") is deemed to be interested in 56,136,511 shares held by Harvest Capital Global Enterprises Limited, which is wholly owned by Mr. Yang.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of transactions regard as connected transactions and required to be disclosed as defined under the Listing Rules, are as follow:

(i) Under the investment management agreement dated 12 December 2001 (the "Investment Management Agreement") entered into between the Company and Bridge Partners Investment Management Limited, formerly known as Baron Asset Management Limited, (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing on the date of agreement. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under the latest and supplemental investment management agreement signed on 24 April 2007, the investment management fee payable to the Investment Manager was revised to HK$80,000 per month commencing from 1 April 2007 to 31 December 2007.

The independent non executive Directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.38 of the Listing Rules.

(ii) The Company and Baron International Investment Holdings Limited (the "Baron International") enter into a tenancy agreement on 20 March 2004 in which Baron International leased office premises to the Company commencing on 1 April 2004 for a monthly rental fee of HK$3,000. Baron International is a fellow subsidiary of the Investment Manager. The tenancy agreement was negotiated between the parties with reference to the normal commercial terms and the agreement was terminated on 31 March 2007.

(iii) Under the rental agreement entered into between the Company and Baron International Consulting Services Limited (the "Baron International Consulting") on 1 April 2007, Baron International Consulting leased office premises to the Company commencing on 1 April 2007 for a monthly rental fee of HK$80,000. The tenancy agreement will continue for successive period unless terminated at any time by either the Company or the lessor by notice in writing. The tenancy agreement was negotiated between the parties with reference to the normal commercial terms. Baron International Consulting is a fellow subsidiary of the Investment Manager at the time entering into the management agreement by Company and Baron International Consulting.

(iv) Pursuant to the financial advisory fee agreement signed on 23 May 2007 between the Company and Baron Capital Limited (the "Baron Capital"), Baron Capital provided financial advisory service to the Company for HK$53,800 for granting an option to an independent third party. Under the financial advisory fee agreement signed on 11 June 2007 between the Company and Baron Capital, Baron Capital provided financial advisory service to the Company for HK$358,000 for the open offer of the Company during the year. Mr. Wan Chuen Chung, Joseph, the ultimate beneficial owner of Baron Capital, is the father of Ms. Wan Ho Yan, Letty, an executive Director and therefore a connected person of the Company.

REPORT OF THE DIRECTORS

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for 240,000,000 new ordinary shares issued by open offer which were allotted and issued on 31 July 2007 and 80,000,000 new ordinary shares issued in consideration for cash proceed and call options granted by Prosperity Investment Holdings Limited on 4 September 2007.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2007, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company currently comprised solely of independent non-executive Directors, namely, Mr. Kwong Kwan Tong (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2007.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2007.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 52.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

AUDITORS

Messrs. KLL Associates CPA Limited and BDO McCabe Lo Limited acted as auditors of the Company for the years ended 31 December 2004 and 2005 respectively. Subsequent to BDO McCabe Lo Limited's resignation in 2006, HLM & Co. Certified Public Accountants were appointed as auditors of the Company.

A resolution will be proposed in the AGM to re-appoint HLM & Co. Certified Public Accountants as auditors of the Company.

On behalf of the Board
China Investment Fund Company Limited

William Robert Majcher
Director

Hong Kong, 27 March 2008

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2007, except for the requirement that the non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. Independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Forthcoming Annual General Meeting 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 that in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

Composition and role

The board of directors (the "Board") of the Company comprises:

Executive Directors:	William Robert Majcher, *Chairman* Wan Ho Yan, Letty, *Managing Director*
Independent Non-executive Directors:	Kwong Kwan Tong Yan Mou Keung, Ronald Cheng Wing Keung, Raymond

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

BOARD OF DIRECTORS *(continued)*

Composition and role *(continued)*

The Board comprises of two executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on page 6 of this annual report. Three Directors are subject to retirement by rotation and re-election at the forthcoming AGM to be held on 9 May 2008.

Out of three independent non-executive Directors, Mr. Kwong Kwan Tong possesses appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Board currently has two principal board committees, namely the Audit Committee and the Remuneration Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Director an annual confirmation of independence and the Company considers that all of the independent non-executive Directors are independent.

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM, board meeting and committee meetings held in 2007 are set out in the following table:

	Meetings Attended/Held					
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**AGM held on 20 June 2007**	**EGM held on 11 June 2007**	**EGM held on 31 December 2007**
Executive Directors						
Wan Ho Yan, Letty	78/78	–	–	1	1	1
William Robert Majcher (Appointed with effective from 15 August 2007)	45/78	–	–	–	–	–
Ng Hon Cheung, Sannio (Resigned with effective from 15 August 2007)	33/78	–	–	1	–	–
Independent Non-executive Directors						
Yan Mou Keung, Ronald	5/78	2/2	3/3	1	1	1
Cheng Wing Keung, Raymond	6/78	2/2	3/3	–	1	–
Kwong Kwan Tong (Appointed with effective from 1 February 2008)	–	–	–	–	–	–
Lo Wah Wai (Resigned with effect from 1 February 2008)	2/78	1/2	1/3	–	–	1

BOARD OF DIRECTORS *(continued)*

Chairman and Managing Director

The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Managing Director is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Re-election of Directors

Under the Code Provision A.4.1, non-executive Directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

Audit Committee

The Company established the Audit Committee on 3 December 2001, which is currently comprised solely of independent non-executive Directors, namely, Mr. Kwong Kwan Tong (Chairman), Mr. Yan Mou Keung, Ronald and Mr. Cheng Wing Keung, Raymond. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the year ended 31 December 2007.

HLM & Co. Certified Public Accountants (the "Auditors") were appointed as auditors of the Company until conclusion of the AGM. During the year, the Auditors rendered no non-audit services to the Group and the Group also did not incur any non-audit service fees.

The Group's 2007 audited financial statements had been duly reviewed by the Audit Committee with the Auditors. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the Auditors and therefore recommends the Board that Auditors be re-appointed as our auditors in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2007 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

BOARD OF DIRECTORS *(continued)*

Remuneration Committee

The Company established the Remuneration Committee on 28 July 2005, which is currently comprised solely of independent non-executive Directors, namely, Mr. Yan Mou Keung, Ronald, Mr. Cheng Wing Keung, Raymond and Mr. Kwong Kwan Tong. Mr. Cheng Wing Keung, Raymond is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Director. Remuneration and the employment contracts of new appointing Directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of Directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit committee. The Board believes that the existing internal control system is adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has announced its annual results and interim results in a timely manner during the year. The general meeting serves as a communication channel between Directors and shareholders. During general meeting, chairman of the Board and its committees will present to answer any queries that our shareholders may have, and separate resolutions are proposed on each substantially separate issue, including the re-election of individual directors.

The notice of AGM shall be sent to all shareholders at least 21 days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular contain such detail information will be issued to the Shareholders in due course.

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND COMPANY LIMITED
中國投資基金有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 51, which comprise the consolidated and Company balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants

Hong Kong, 27 March 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$	2006 HK$
Turnover	5	**38,688,852**	32,702,197
Cost of sales		**(28,086,150)**	(26,760,185)
Gross profit		**10,602,702**	5,942,012
Other income	5	**1,981,939**	14,425,002
Unrealised (loss)/gain on financial assets at fair value through profit or loss		**(242,300)**	1,644,397
Administrative expenses		**(4,394,548)**	(2,682,666)
Profit before taxation	7	**7,947,793**	19,328,745
Taxation	9	**–**	–
Net profit for the year attributable to shareholders		**7,947,793**	19,328,745
Earnings per share	10		
			(Restated)
– Basic		**1.09 cents**	2.80 cents
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$	2006 HK$
Non-current assets			
Available-for-sale financial assets	*14*	**17,698,730**	21,000,000
Current assets			
Financial assets at fair value through profit or loss	*16*	**38,862,640**	20,958,270
Prepayments, deposits and other receivables		**221,718**	19,780,674
Cash and cash equivalents	*17*	**58,753,942**	11,785,472
		97,838,300	52,524,416
Current liabilities			
Accrued liabilities and other payables		**156,616**	233,963
Net current assets		**97,681,684**	52,290,453
Net assets		**115,380,414**	73,290,453
Capital and reserves			
Share capital	*18*	**8,000,000**	4,800,000
Reserves		**107,380,414**	68,490,453
Total equity		**115,380,414**	73,290,453
Net asset value per share	*10*	**0.14**	0.15

The financial statements on pages 20 to 51 were approved and authorised for issue by the Board of Directors on 27 March 2008 and are signed on its behalf by:

William Robert Majcher
Director

Wan Ho Yan, Letty
Director

BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$	2006 HK$
Non-current assets			
Investments in subsidiaries	*13*	**8**	10,000,008
Available-for-sale financial assets	*14*	**17,698,730**	11,000,000
		17,698,738	21,000,008
Current assets			
Financial assets at fair value through profit or loss	*16*	**37,785,520**	8,136,270
Prepayments, deposits and other receivables		**221,718**	19,780,674
Amounts due from subsidiaries	*15*	**1,077,112**	14,919,433
Cash and cash equivalents	*17*	**58,753,942**	9,681,682
		97,838,292	52,518,059
Current liabilities			
Accrued liabilities and other payables		**156,616**	227,614
Net current assets		**97,681,676**	52,290,445
Net assets		**115,380,414**	73,290,453
Capital and reserves			
Share capital	*18*	**8,000,000**	4,800,000
Reserves		**107,380,414**	68,490,453
Total equity		**115,380,414**	73,290,453

The financial statements on pages 20 to 51 were approved and authorised for issue by the Board of Directors on 27 March 2008 and are signed on its behalf by:

William Robert Majcher
Director

Wan Ho Yan, Letty
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Share capital HK$	Other reserve HK$	Share premium HK$	Accumulated losses HK$	Total HK$
The Group					
At 1 January 2006	4,800,000	–	79,555,597	(30,393,889)	53,961,708
Net profit for the year	–	–	–	19,328,745	19,328,745
At 31 December 2006	4,800,000	–	79,555,597	(11,065,144)	73,290,453
Issue of shares by open offer	2,400,000	–	8,766,167	–	11,166,167
Issue of shares for share options exercised	800,000	–	21,176,000	–	21,976,000
Equity-settled arrangements	–	1,000,001	–	–	1,000,001
Net profit for the year	–	–	–	7,947,793	7,947,793
At 31 December 2007	8,000,000	1,000,001	109,497,764	(3,117,351)	115,380,414
The Company					
At 1 January 2006	4,800,000	–	79,555,597	(25,694,698)	58,660,899
Net profit for the year	–	–	–	14,629,554	14,629,554
At 31 December 2006	4,800,000	–	79,555,597	(11,065,144)	73,290,453
Issue of shares by open offer	2,400,000	–	8,766,167	–	11,166,167
Issue of shares for share options exercised	800,000	–	21,176,000	–	21,976,000
Equity-settled arrangements	–	1,000,001	–	–	1,000,001
Net profit for the year	–	–	–	7,947,793	7,947,793
At 31 December 2007	8,000,000	1,000,001	109,497,764	(3,117,351)	115,380,414

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	HK$	HK$
Cash flows from operating activities		
Profit before taxation	**7,947,793**	19,328,745
Adjustments for:		
Interest income	**(1,453,719)**	(900,248)
Unrealised loss/(gain) on financial assets at fair value through profit or loss	**242,300**	(1,644,397)
Loss on disposal of subsidiaries	**52,268**	–
Impairment loss on other receivable	**23,941**	–
Operating cash flows before movements in working capital	**6,812,583**	16,784,100
(Increase)/decrease in financial assets at fair value through profit or loss	**(18,146,670)**	5,250,246
Increase in available-for-sale financial assets	**(6,750,998)**	(11,000,000)
Decrease/(increase) in prepayments, deposits and other receivables	**19,535,015**	(11,119,888)
(Decrease)/increase in accrued liabilities and other payables	**(77,347)**	46,334
Net cash generated from/(used in) operations	**1,372,583**	(39,208)
Interest received	**1,453,719**	900,248
Net cash generated from operating activities	**2,826,302**	861,040
Investing activities		
Sale proceeds on disposal of subsidiaries (Note 19)	**10,000,000**	–
Net cash generated form investing activities	**10,000,000**	–
Financing activities		
Net proceeds from equity-settled arrangements	**1,000,001**	–
Net proceeds from issue of shares	**33,142,167**	–
Net cash generated from financing activities	**34,142,168**	–
Net increase in cash and cash equivalents	**46,968,470**	861,040
Cash and cash equivalents at beginning of year	**11,785,472**	10,924,432
Cash and cash equivalents at end of year *(Note 17)*	**58,753,942**	11,785,472

1. GENERAL

China Investment Fund Company Limited (the "Company") is an exempted company incorporated with limited liability in the Cayman Islands on 18 September 2001. Its registered office is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is at 4/F, Aon China Building, 29 Queen's Road Central, Hong Kong. The Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 January 2002.

The Company is principally engaged in investing in listed and unlisted securities. The activities of its subsidiaries are set out in note 13 to the financial statements.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new HKFRSs issued by the HKICPA which are effective for accounting periods beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2007 comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group").

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

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

(d) Revenue

Revenue from sales of listed financial assets at fair values through profit or loss is recognized on a trade-date.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currency

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity. For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(f) Financial instruments

(1) Financial assets

Financial assets are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in the income statement.

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(1) Financial assets (continued)

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

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

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(1) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale 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 instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

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

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

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

(i) significant financial difficulty of the issuer or counterparty; or

(ii) default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(1) Financial assets (continued)

Impairment of financial assets *(continued)*

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

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, where the carrying amount is reduced through the use of an allowance account.

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 losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial instruments *(continued)*

(2) Financial liabilities and equity

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

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

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

(i) it has been incurred principally for the purpose of repurchasing in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

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

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

(h) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(i) Impairment

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. Impairment loss is recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Taxation

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

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

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

Deferred tax liabilities are recognized for taxable temporary difference arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, excepted when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

(k) Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturing at acquisition.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group achieves its investment objective through investing in equities, debts and options and therefore is exposed to market price, credit, liquidity, interest rate and currency risks in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Group limits its exposure to market price risk by transacting securities, debts and options that the Group considers to be of good credit ratings.

The Group's investment activities expose it to the various types of market risks which are associated with the markets in which it invests and to the extent of the amount invested in equities, debts and options totaling HK$56,561,370 as at year end (2006: HK$41,958,270).

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets at fair value through profit and loss, bank balances and amounts receivable on sale of investments.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Group considers to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers.

Accordingly, the Group has no significant concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in selling a financial asset quickly at close to its fair value.

The Group considered that its significant liquidity risk is on the unlisted investments totaling HK$17,698,730 as at year end (2006: HK$21,000,000).

(d) Interest rate risk

The Group is exposed to minimal interest rate risk as the Group invests mainly in equities and only the bank balances and debts are exposed to interest rate risk which is considered to be minimal.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT *(continued)*

(e) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group has no significant currency risk because substantially all assets and liabilities are denominated in Hong Kong dollars or US dollars.

(f) Fair values

As at 31 December 2007, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit and loss are included in the balance sheet at amounts approximating to their fair values. The available-for-sale financial assets included unlisted investments, which do not have a quoted market price in an active market, have been measured at cost less any impairment loss.

5. TURNOVER AND OTHER INCOME

The Group is principally engaged in investing in listed and unlisted financial assets. Turnover represents proceeds from sales of investments and dividend income from financial assets. An analysis of turnover and other income is as follows:

	2007	2006
	HK$	HK$
Turnover		
Proceeds from sales of listed financial assets at fair value through profit or loss	**38,321,780**	32,380,826
Dividend income from listed financial assets at fair value through profit or loss	**367,072**	321,371
	38,688,852	32,702,197
Other income		
Bank interest income	**1,453,719**	900,248
Other interest income	**528,220**	–
Sundry income	**–**	100,000
Recover the zero coupon debt security written off in previous year	**–**	13,424,754
	1,981,939	14,425,002

6. SEGMENT INFORMATION

The Group's turnover and net profit for the year are entirely derived from the investing in listed and unlisted financial assets and dividends received. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is trading of financial assets, it is not considered meaningful to provide a business segment analysis of operating profits and segment assets.

The following table presents revenue and certain assets and liabilities for the Group's geographical segments.

	Hong Kong		United States of America		People's Republic of China		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Segment revenue:								
Proceeds from sales of listed financial assets at fair value through profit or loss	**38,321,780**	32,380,826	**–**	–	**–**	–	**38,321,780**	32,380,826
Dividends received	**367,072**	321,371	**–**	–	**–**	–	**367,072**	321,371
	38,688,852	32,702,197	**–**	–	**–**	–	**38,688,852**	32,702,197
Segment assets	**99,009,392**	52,524,416	**–**	10,000,000	**16,527,638**	11,000,000	**115,537,030**	73,524,416
Unallocated assets							**–**	–
Total assets							**115,537,030**	73,524,416
Total liabilities							**156,616**	233,963

7. PROFIT BEFORE TAXATION

	2007	2006
	HK$	HK$
The Group's profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 8)*:		
Fees	**180,000**	180,000
Other emoluments	**475,000**	120,000
Provident fund contributions	**7,250**	6,000
Staff costs		
Salaries	**654,179**	–
Other benefits	**–**	–
Provident fund contributions	**25,008**	–
Total staff costs (including directors' remuneration)	**1,341,437**	306,000
Auditors' remuneration		
Current year	**71,000**	65,000
Under provision in prior years	**2,000**	2,550
	73,000	67,550
Operating lease rentals of land and buildings	**729,000**	36,000
Loss on disposal of subsidiaries	**52,268**	–
Impairment loss on other receivable	**23,941**	–

8. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	2007			
	Directors' fees HK$	**Salaries, allowances and benefits in kind HK$**	**Mandatory provident fund contributions HK$**	**Total HK$**
Executive directors				
Ng Hon Cheung, Sannio *(note 1)*	**–**	**40,000**	**2,000**	**42,000**
Wan Ho Yan, Letty	**–**	**195,000**	**5,250**	**200,250**
William Robert Majcher *(note 2)*	**–**	**240,000**	**–**	**240,000**
Independent non-executive directors				
Lo Wah Wai *(note 3)*	**60,000**	**–**	**–**	**60,000**
Yan Mou Keung, Ronald	**60,000**	**–**	**–**	**60,000**
Cheng Wing Keung, Raymond	**60,000**	**–**	**–**	**60,000**
	180,000	**475,000**	**7,250**	**662,250**

	2006			
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory Provident Fund Contributions HK$	Total HK$
Executive directors				
Ng Hon Cheung, Sannio	–	60,000	3,000	63,000
Wan Ho Yan, Letty	–	60,000	3,000	63,000
Independent non-executive directors				
Lo Wah Wai	60,000	–	–	60,000
Yan Mou Keung, Ronald	60,000	–	–	60,000
Cheng Wing Keung, Raymond	60,000	–	–	60,000
	180,000	120,000	6,000	306,000

Notes:

(1) Resigned on 15th August 2007.

(2) Appointed on 15th August 2007.

(3) Resigned on 1st February 2008.

8. DIRECTORS' REMUNERATION *(continued)*

(a) *(continued)*

The above directors' fee, salaries, allowance and benefits in kind and provident fund contributions were paid to all directors, executives and non-executives, in respect of their duties, responsibilities with the Group and the prevailing market value.

There was no arrangement under which a director waived or agreed to waive any remuneration during both years ended 31 December 2007 and 2006.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2006: 3) were directors of the Company whose emoluments are included in the disclosures in note 8(a) above. The emolument of the remaining 3 employees (2006: Nil) was as follows:

	The Group	
	2007	2006
	HK$	HK$
Basic salaries and other benefits	**527,260**	–
Provident fund contributions	**18,662**	–
Total emoluments	**545,922**	–

The aggregate emoluments of each of the employees during the year were within the emoluments band ranging from nil to HK$1,000,000.

9. TAXATION

No tax is payable on the profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward (2006: nil). Tax losses carried forward amount to approximately HK$8,616,350.

The tax expense for the year can be reconciled to the profit per consolidated income statement as follows:

	The Group	
	2007	2006
	HK$	HK$
Profit before taxation	**7,947,793**	19,328,745
Tax calculated at the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**1,390,864**	3,382,530
Tax effect of non-taxable income	**(339,375)**	(2,837,440)
Tax effect of non-deductible expenses	**4,190**	–
Tax effect of utilization of tax losses not recognised	**(1,055,679)**	(545,090)
Taxation for the year	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note 21.

10. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated balance sheet of HK$115,380,414 (2006: HK$73,290,453) by the number of shares in issue as at 31 December 2007, being 800,000,000 (2006: 480,000,000).

Earnings per share

The calculation of the basic earning per share is based on the net profit for the year of HK$7,947,793 (2006: HK$19,328,745) and the weighted average number of 729,354,521 (2006 (restated): 691,200,000 being adjusted to reflect the effect of Open Offer in July 2007) ordinary shares in issue during the year. The diluted earnings per share is not presented because there were no potential dilutive shares during the both years ended 31 December 2007 and 2006.

11. DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2007 (2006: nil).

12. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to joint the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	HK$	HK$
Unlisted shares, at cost	**8**	10,000,008

Details of the subsidiary as at 31 December 2007 are as follows:

Name	Place of incorporation/ operation	Particulars of issued and paid-up share capital	Percentage of equity attributable to the Company		Principal activity
			Direct	Indirect	
Capital Handle Investments Limited	British Virgin Islands	1 share of US$1 each	100%	–	Investment holdings

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group 2007 HK$	The Group 2006 HK$
Overseas unlisted debt securities, at cost	**–**	14,000,000
Less: Impairment	**–**	(4,000,000)
	–	10,000,000
Overseas unlisted equity securities, at cost *(note a)*	**16,527,638**	11,000,000
Less: Impairment *(note c)*	**–**	–
	16,527,638	11,000,000
Overseas unlisted equity securities, at cost *(note b)*	**1,171,092**	–
Less: Impairment *(note c)*	**–**	–
	1,171,092	–
Total	**17,698,730**	21,000,000

	The Company 2007 HK$	The Company 2006 HK$
Overseas unlisted equity securities, at cost *(note a)*	**16,527,638**	11,000,000
Less: Impairment *(note c)*	**–**	–
	16,527,638	11,000,000
Overseas unlisted equity securities, at cost *(note b)*	**1,171,092**	–
Less: Impairment *(note c)*	**–**	–
	1,171,092	–
Total	**17,698,730**	11,000,000

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

The fair value of the overseas unlisted equity securities cannot be measured reliably as there is no active market for the trading of the securities at arm's length.

Notes:

(a) In last year, the Group acquired 19.9% equity interest of Sino Win Pacific International Limited ("Sino Win") which main business objective is providing services in technology solutions for clients in the hospitality industry all around the world. As at 31 December 2006, the cost of the investment in Sino Win was HK$11,000,000. In 2007, the Company acquired additional shares of Sino Win in amount of HK$5,527,638 and the total equity interest increased to 29.9%. This investment is not equity accounted for in accordance with the HKAS 28 "Investments in associates". This is because the Group does not have the power to participate in the financial and operating policy decisions of Sino Win. As at 31 December 2007, the cost of the investment in Sino Win was HK$16,527,638, against which no provision for impairment was provided.

(b) During the year, the Company entered into an agreement with a merchant bank Coutts Bank to acquire Coutts Private Equity Limited Partnership ("CPELP"). The investment objective of the partnership is to seek long-term capital appreciation. CPELP offers the Company to access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities. As at 31 December 2007, the cost of the investment in CPELP was US$150,000, approximately HK$1,171,092, against which no provision for impairment was provided.

(c) Provision for impairment loss was set up based on estimated recoverable amount of available-for-sale financial assets.

15. AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are unsecured, interest free and of no fixed repayment term.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2007	2006
	HK$	HK$
Held for trading:		
Equity securities listed in Hong Kong, at market value	**38,862,640**	20,958,270

	The Company	
	2007	2006
	HK$	HK$
Held for trading:		
Equity securities listed in Hong Kong, at market value	**37,785,520**	8,136,270

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

As at 31 December 2007, financial assets at fair value through profit or loss included the following investments:

The Group

Name of the investee company	Number of shares held	Proportion of investee's company capital owned	Cost HK$	Market value HK$	Unrealised holding gain/ (loss) arising on revaluation HK$	Dividend received/ receivable during the year HK$
(a) Regal Hotels International Holdings Limited	3,000,000	0.03%	2,290,000	1,920,000	(370,000)	8,967
(b) Kenfair International (Holdings) Limited	9,068,000	3.85%	9,180,440	9,521,400	340,960	122,800
(c) Cosmopolitan International Holdings Limited	8,460,000	0.53%	5,577,180	6,345,000	767,820	–
(d) Regal Real Estate Investment Trust	1,000,000	0.03%	2,652,000	2,130,000	(522,000)	55,289
(e) Century City International Holdings Limited	17,880,000	4.23%	5,334,680	2,217,120	(3,117,560)	16,100
(f) Golden Resources Development Holdings Limited	1,584,000	0.11%	530,640	1,077,120	546,480	163,485

The Company

Name of investee company	Number of shares held	Proportion of investee's company capital owned	Cost HK$	Market value HK$	Unrealised holding gain/ (loss) arising on revaluation HK$	Dividend received/ receivable during the year HK$
(a) Regal Hotels International Holdings Limited	3,000,000	0.03%	2,290,000	1,920,000	(370,000)	8,967
(b) Kenfair International (Holdings) Limited	9,068,000	3.85%	9,180,440	9,521,400	340,960	122,800
(c) Cosmopolitan International Holdings Limited	8,460,000	0.53%	5,577,180	6,345,000	767,820	–
(d) Regal Real Estate Investment Trust	1,000,000	0.03%	2,652,000	2,130,000	(522,000)	55,289
(e) Century City International Holdings Limited	17,880,000	4.23%	5,334,680	2,217,120	(3,117,560)	16,100

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

A brief description of the business and financial information of the listed investee companies which represents a significant proportion of the Group's assets, which are extracted from their latest published annual reports is as follows:

Notes:

(a) Regal Hotels International Holdings Limited ("Regal") is principally engaged in hotel ownership and management, property investment, other investment.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Regal was approximately HK$2,957,300,000 and the basic earnings per share was HK29.6 cents. As at 31 December 2007, its audited consolidated net asset value was approximately HK$5,281,700,000.

(b) Kenfair International (Holdings) Limited ("Kenfair") is principally engaged in organizing of trade fairs, trade shows and related activities to promote and facilities trade between international buyers and manufactures.

For the year ended 31 March 2007, the audited consolidated loss from ordinary activities attributable to shareholders of Kenfair was approximately HK$34,411,000 and the basic loss per share was HK15 cents. As at 31 March 2007, its audited consolidated net asset value was approximately HK$45,796,000.

(c) Cosmopolitan International Holdings Limited ("Cosmopolitan") is principally engaged in securities trading, property investment and development, provision of information technology services.

For the year ended 31 March 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Cosmopolitan was approximately HK$6,196,000 and the basic earnings per share was HK0.94 cent. As at 31 March 2007, its audited consolidated net asset value was approximately HK$193,154,000.

(d) Regal Real Estate Investment Trust ("Regal Real") is principally engaged in owning and investing in income-producing hotel and hospitality-related properties.

For the period ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Regal Real was approximately HK$2,850,198,000 and the basic earnings per share was HK91.7 cents. As at 31 December 2007, its audited consolidated net asset value was approximately HK$10,915,076,000.

(e) Century City International Holdings Limited ("CCIH") is principally engaged in property development and investment, construction and building related businesses and other investments.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of CCIH was approximately HK$1,424,700,000 and the basic earnings per share was HK3.83 cent. As at 31 December 2007, its audited consolidated net asset value was approximately HK$5,791,600,000.

(f) Golden Resources Development International Limited ("Golden Resources") is principally engaged in sourcing, importing, wholesaling, processing, packaging marketing and distribution of rice, warehousing operation, property investment, securities investment and investment holding.

For the year ended 31 March 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Golden Resources was approximately HK$88,914,000 and the basic earnings per share was HK5.8 cents. As at 31 March 2007, its audited consolidated net asset value was approximately HK$1,019,309,000.

17. CASH AND CASH EQUIVALENTS

The Group

	2007	2006
	HK$	HK$
Deposits with banks and other financial institutions	**56,481,957**	9,080,727
Cash at bank and in hand	**2,271,985**	2,704,745
	58,753,942	11,785,472

The Company

	2007	2006
	HK$	HK$
Deposits with banks and other financial institutions	**56,481,957**	7,035,554
Cash at bank and in hand	**2,271,985**	2,646,128
	58,753,942	9,681,682

Included in cash and cash equivalents in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

The Group

	2007	2006
EUR Dollars	**EUR 946**	–
US Dollars	**USD379,376**	USD268,539

18. SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	2007	2006	**2007**	2006
			HK$	HK$
Authorised:				
At 1 January	**600,000,000**	600,000,000	**6,000,000**	6,000,000
Increase by creation of additional 900,000,000 shares of HK$0.01 each	**900,000,000**	–	**9,000,000**	–
At 31 December	**1,500,000,000**	600,000,000	**15,000,000**	6,000,000

Issued and fully paid:

	Notes	**Number of shares of HK$0.01 each**	**HK$**
At 1 January 2006 and 31 December 2006		480,000,000	4,800,000
Issue of shares by Open Offer	*a*	240,000,000	2,400,000
Issue in consideration for cash proceed and the called options granted by Prosperity Investment Holdings Limited	*b*	80,000,000	800,000
At 31 December 2007		800,000,000	8,000,000

During the year, the movements in the Company's share capital are as follows:

(a) On 31 July 2007, an Open Offer of 240,000,000 offer shares at a price of HK$0.05 per offer share on the basis of one offer share for every two shares held by members on the register. Further details of the Open Offer are set out in the prospectus of the Company dated 12 July 2007.

(b) On 4 September 2007, the Company issued 80,000,000 new shares to the Prosperity Investment Holdings Limited (the "Prosperity"), and in turn the Prosperity granted the call options of 86,000,000 new shares to the Company and a payment of HK$8,320,000 in cash.

19. LOSS ON DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire interests in Crystal Shine Limited and San Francisco Alden, Inc.

The net assets of the subsidiaries at the dates of disposals are as follows:

Net assets disposed of

	2007	2006
	HK$	HK$
Available-for-sale financial assets	**10,000,000**	–
Cash	**58,617**	–
Accrued liabilities and other payables	**(6,349)**	–
Net assets	**10,052,268**	–
Net cash consideration	**(10,000,000)**	–
Loss on disposal of subsidiaries	**52,268**	–

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 December 2001. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Company. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceeding 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Scheme at any time during the five-year period commencing on the date upon which the option is accepted by the grantee and expiring on the last day of the five-year period or the expiry of the tenth anniversary of the Scheme, whichever is the earlier.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Scheme will remain in force for a period of 10 years commencing on 3 December 2001.

No option had been granted or agreed to be granted under the Scheme from the date of adoption of the Scheme.

21. DEFERRED TAXATION

At the balance sheet date, the Group has estimated unrecognised tax losses of approximately HK$8,616,350 (2006: HK$14,001,000) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits is not probable. The tax losses do not expire under the current tax legislation.

The Group and the Company had no material unprovided deferred tax liabilities at the balance sheet date (2006: nil).

22. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

	Notes	**2007 HK$**	2006 HK$
Investment management fees paid to Bridge Partners Investment Management Limited ("formerly known as Baron Asset Management Limited") (the "Investment Manager")	*(i)*	**825,000**	420,550
Rental expenses paid to Baron International Investment Holdings Limited ("Baron International")	*(ii)*	**9,000**	36,000
Rental expenses paid to Baron International Consulting Services Limited ("Baron International Consulting")	*(iii)*	**720,000**	–
Financial advisory fee paid to Baron Capital Limited ("Baron Capital")	*(iv)*	**411,800**	–

Notes:

(i) Pursuant to the investment management agreement dated 12 December 2001 (the "Investment Management Agreement") entered into between the Company and Bridge Partners Investment Management Limited (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing on the date of agreement. The Investment Management Agreement will continue for successive periods unless terminated at any time by either the Company or the Investment Manager serving not less than six month's prior notice in writing. Under the latest agreement signed on 24 April 2007, the investment management fee is revised to HK$80,000 per month commencing from 1 April 2007 to 31 December 2007.

(ii) Pursuant to a tenancy agreement signed on 20 March 2004 between the Company and Baron International Investment Holdings Limited (the "Baron International"), Baron International leased office premises to the Company commencing on 1 April 2004 for a monthly rental of HK$3,000. The agreement was terminated on 31 March 2007. Baron International is a fellow subsidiary of the Investment Manager.

22. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

Notes: (continued)

(iii) Pursuant to a tenancy agreement signed on 1 April 2007 between the Company and Baron International Consulting Services Limited (the "Baron International Consulting"), Baron International Consulting leased office premises to the Company commencing on 1 April 2007 for a monthly rental of HK$80,000. The tenancy agreement will continue for successive period unless terminated at any time by either the Company or the lessor by notice in writing. The tenancy agreement was negotiated between the parties with reference to the normal commercial terms. Baron International Consulting is a fellow subsidiary of the Investment Manager.

(iv) Pursuant to a Financial Advisory Fee agreement signed on 23 May 2007 between the Company and Baron Capital Limited (the "Baron Capital"), Baron Capital provided financial advisory service to the Company for HK$53,800 for granting an option to an independent third party.

Under the Financial Advisory Fee agreement signed on 11 June 2007 between the Company and Baron Capital, Baron Capital provided financial advisory service to the Company for HK$358,000 for the open offer of the Company during the year. Mr. Wan Chuen Chung, Joseph, the ultimate beneficial owner of Baron Capital, is the father of Ms. Wan Ho Yan, Letty, an executive Director and therefore a Connected Person of the Company.

(v) Remuneration for key management personnel, representing amounts paid to the Company's Directors as disclosed in note 8(a) is as follows:

	2007	2006
	HK$	HK$
Directors' fee	**180,000**	180,000
Salaries, allowance and benefits in kind	**475,000**	120,000
Mandatory Provident Fund Contributions	**7,250**	6,000
	662,250	306,000

23. POST BALANCE SHEET EVENTS

(1) On 30 January 2008, the Company entered into a placing agreement with the placing agent pursuant to which the Company appointed the placing agent to procure not less than 6 independent placees to subscribe for 96,000,000 shares and received gross proceeds of HK$10.66 million. The Company also granted 64,000,000 call options at HK$0.005 per placing option and received HK$2.45 million including the proceeds for the aggregate option price of the placing options and the deposit. Up to the date of report, the placing option has not yet been exercised.

(2) In January 2008, the Company has exercised part of call options granted by Prosperity Investment Holdings Limited ("Prosperity") and the Company has subscribed 50,000,000 shares of Prosperity at a subscription of HK$0.2 per share. The remaining call options of 36,000,000 shares of Prosperity have not yet been exercised by the Company.

FIVE YEARS SUMMARY

For the year ended 31 December

	2007 HK$	2006 HK$	2005 HK$	2004 HK$	2003 HK$
Results					
Turnover	**38,688,852**	32,702,197	28,207,911	10,674,755	500,000
Profit/(loss) before taxation	**7,947,793**	19,328,745	(17,838,601)	(2,104,702)	(4,561,723)
Taxation	**–**	–	–	–	–
	7,947,793	19,328,745	(17,838,601)	(2,104,702)	(4,561,723)
Assets and Liabilities					
Total assets	**115,537,030**	73,524,416	54,149,337	71,970,331	25,663,590
Total liabilities	**(156,616)**	(233,963)	(187,629)	(234,879)	(172,436)
Net assets	**115,380,414**	73,290,453	53,961,708	71,735,452	25,491,154
Share capital	**8,000,000**	4,800,000	4,800,000	4,800,000	800,000
Reserves	**107,380,414**	68,490,453	49,161,708	66,935,452	24,691,154
	115,380,414	73,290,453	53,961,708	71,735,452	25,491,154
Earnings/(loss) per share		(Restated)			
– Basic	**1.09 HK cents**	2.80 HK cents	(3.72) HK cents	(0.62) HK cent	(5.70) HK cents
– Diluted	**N/A**	N/A	N/A	N/A	N/A